

Egypt expels Arab envoys after Tripoli declaration

Four Arab states and the Palestine Liberation Organization yesterday formed a unified military front against Israel. Syria, Libya, Algeria and South Yemen decided to freeze relations with Egypt, which retaliated by telling their ambassadors to leave. Mr Vance, American Secretary of State, is to tour the Middle East this weekend to arouse support for President Sadat's peace initiative.

Unified military front against Israel

From David Watts
Tripoli, Dec 5

A new alignment of anti-Sadat Arab states emerged today as five rejectionist leaders signed the Declaration of Tripoli containing a series of political and economic measures designed to undermine the Egyptian leader's rapprochement with Israel.

But the Iraqis, the extremist diehards among the rejectionists, found themselves excluded, at least temporarily, from the anti-Sadat camp and walked out of the conference last night.

In the final communiqué the rejectionist leaders of Syria, Libya, Algeria, South Yemen and the Palestine Liberation Organization announced the formation of a unified military front of confrontation.

They also decided to freeze diplomatic relations with Cairo, take sanctions against any Egyptian company or individual doing business with Israel, and the headquarters of the Arab League from Cairo and called on all Arab states to give full financial, political and military assistance to Syria as the main confrontation state.

Although it condemned President Sadat's "treasonous" visit as high treason, the communiqué avoided any reference to Resolution 242 of the United Nations, which provides for all states in the area, including Israel, to live in peace and security.

The Iraqis had originally demanded that the final communiqué include a rejection of Resolution 242 but this was not acceptable to the Syrians and the Iraqis walked out of the meeting.

At a press conference this morning, Mr Taha Jazrawi, the leader of the Iraqi delegation, said that Iraq had proposed at a committee set up to prepare a further summit in Baghdad at which a united front would be formed in order to give the Syrians time to re-consider their position. But Mr Jazrawi said that the Iraqis had shown that he still believed in "peace arrangements and other meetings."

There was no serious obstacle in the way of a unified stand by all six leaders, Mr Jazrawi said.

Sudden Vance journey to hardline capitals

From Patrick Brogan
Washington, Dec 5

Mr Cyrus Vance, the Secretary of State, is visiting a number of Middle East countries, starting with Cairo on Friday. A State Department spokesman said the trip would enable Mr Vance to convey the American position to the Arab leaders and to emphasize the importance of the United States' support for the peace initiative.

Mr Vance is expected to meet President Sadat, and to the Cairo conference which he has called.

Those Arab leaders who have rejected the initiative in Syria could not be invited to change their minds because it would be too late, the spokesman said. It would be most surprising, however, if Mr Vance did not try to do so, he said.

It is not really to be supposed that he would succeed in Syria, he said. It is not yet known whether he will be including Damascus in his trip.

But Jordan might be more easily persuaded. Mr Vance will visit Cairo, Jerusalem, Beirut, Amman and Riyadh before heading for Damascus on Thursday. He expects to return to Washington on December 15.

Mr Benn fears party organization is Pandora's box

By Michael Hatfield
Political Reporter

Labour policy-makers were warned yesterday by Mr Wedgwood Benn, Secretary of State for Energy, that they could open a Pandora's box of complaints if they decided to have an inquiry into the party's structure and organization.

Some trade unions are pressing for an inquiry, but the party's organization committee, after arguments between left and right, decided to postpone any decision and to invite

Wholesale price rises lowest since April 1973

By Melvyn Westlake

A continuing sharp decline in Britain's inflation rate during the early months of the new year seems virtually certain in the light of government figures, published yesterday, showing the favourable price trends now being experienced by industry.

According to the Department of Industry, wholesale or factory-gate prices showed their smallest rise in November for any single month since April 1973. Moreover, the cost of industry's raw materials and fuel is now less than it was a year ago.

In the coming months these favourable trends will be translated into a slower rate of increase in the cost of living.

The rise in factory-gate prices last month of 0.3 per cent, compared with a rise of 0.7 per cent in October.

Just as significant, wholesale prices have risen in the past six months at an annual rate of 9.5 per cent, the first time for some years that the rate of price increase has, on this measure, been in single figures.

As recently as last summer, the annual rate of increase over the previous six months was above 22 per cent.

Prices in the shops will be rising relatively more slowly just at the time when the Government will be faced by a number of key wage demands for public sector employees.

This will help to strengthen the hand of public sector employers in resisting claims they are above the officially desired level.

Between January and April more than 2.5 million public sector workers are due to negotiate fresh wage agreements. Wage settlements considered necessary to call witnesses and thereby below 10 per cent are still hoped for by ministers.

In an attempt to press this case, Treasury ministers are now forecasting that inflation will be down to between 6 and 7 per cent by early next summer.

Yesterday's wholesale price figures certainly give some support to these forecasts. November was the fourth good month, and prices have risen by a total of only 1.3 per cent since August. A slower rise in the price of new vehicles.

Continued on page 17, col 1

Commons insist Crown Agents inquiry must be in public

By Hugh Moyes
Parliamentary Correspondent
Westminster

In an astonishing play of backbench power not seen in the Commons for many years, MPs on all sides joined forces last night to reject, by 158 votes to 125, the Government's proposals for a secret committee of inquiry to investigate losses of at least £200m by the Crown Agents.

Faced with an alliance of right, left and centre, Mrs Hart, Minister for Overseas Development, was left in no doubt that a secret inquiry was not acceptable and that whatever form of investigation is set up, it must be held in the full light of day with all the powers necessary to call witnesses and papers. Voting against the Government were 74 Labour MPs, seven Liberals, six

Cabinet to decide on Thursday what the Government should do next

adjourn, the defeat ended the sitting of the House. Government business for the rest of the night was lost.

It was clear from an early stage that the Government was in trouble. Mrs Hart, with Mr Silkin, the Attorney General, giving legal advice from a seat close to her, was inundated from all sides with demands that the Government should think again.

Mr John Mendelson, a leading member of the Tribune

Group of left-wing Labour MPs, who initiated the emergency debate, said it was essential to find the people who must carry the responsibility for the scandal. If they had moved elsewhere that was no argument for not exposing them. The report, he said, was a shocking indictment of the background and atmosphere in which operations described took place.

In a last-minute attempt to fend off a vote, the minister promised reconsideration, but conceding victory, MPs stormed into the division lobbies. The message from the Commons was clear, that ministers would be acting in defiance of Parliament and of the country if they went ahead with a procedure that would appear to be a cover-up for governments past and present, as well as for many of the most revered insti-



Refreshment for Herr Schmidt, the West German Chancellor, while President Giscard d'Estaing, of France, studies a document at the start of the EEC summit in Brussels yesterday. Report, page 17.

Mother spurns rescue to die with children

A mother refused to leave her three children yesterday as their home burnt. Neighbours fought the outbreak with hoses and buckets of water.

In Sheffield, yesterday five policemen rescued four children from a blazing house as neighbours tackled the outbreak with buckets of water.

The children, two of whom had to be given mouth-to-mouth resuscitation on the way to hospital, were said later to be well.

Their mother, Mrs Dorothy Howe, aged 32, was rescued by Mr Michael Higgins, aged 21, a neighbour, who used a ladder to reach her at the house in Wolesley Road.

The policemen smashed the back door to reach the children, in a second-floor flat. Ulster war veterans have exploited the firemen's strike to try to kill or injure members of the security forces. Lieutenant-General T. M. Croney, General Officer Commanding Northern Ireland, said yesterday.

He told Mr Rees, Secretary of State for Northern Ireland, at a security review at Stormont, that some extremists were desperate to draw troops to fires so that they could be attacked.

'Settle now' poll: Almost seven people out of 10 questioned think the fireman should settle for a rise of 10 per cent in the national interest rather than maintain their demand for 30 per cent, according to a poll carried out over the weekend by Opinion Research Centre (the Press Association reports).

Almost nine people out of 10 believe that if the Government does allow the firemen to have more than 10 per cent other unions will do so as an excuse to demand more.

Sixty-three per cent of people questioned said it was "very important" and a further 23 per cent said it was "important" that union negotiators should keep demands for wage rises down to 10 per cent.

Hostility to the miners' claim seems to be common. The poll indicates that 85 per cent of voters believe it would be wrong for the miners to ask for a big wage rise less than 12 months after their last increase.

Almost the same percentage, 86, of those questioned, favoured the Government's taking a tough line with the miners if they decide to strike.

Home Office worries, page 2
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Govan shop stewards reject 'blacking' plea

Shop stewards at Govan Shipbuilders on the Upper Clyde decided not to "black" any of the ships reallocated to the yard from the Tyne-side yard of Swan Hunter. They called on the Swan Hunter outworkers to end

Britons among air crash dead

At least five Britons died in the Malaysian airliner crash on Sunday night, the British High Commission in Kuala Lumpur announced. One was identified as a Sussex businessman. Meanwhile, there were doubts that the hijackers were from the Japanese Red Army.

Arts Council's defence

The Arts Council, in its annual report, defends itself against criticism of moral laxity. Mr Roy Shaw, secretary-general, says that although people are rightly concerned about support of the arts by public money, it is neither possible nor desirable for the council to pre-empt art activities.

Homeland of seven parts

Seven landlocked blocks of territory spread across three of South Africa's four provinces become the independent tribal homeland for the Tswana-speaking people.

Nato fears

European Nato allies fear that American plans for the next strategic arms limitation (Salt) agreement may lead to restrictions on the range of the Cruise missile. Mr Harold Brown, the United States Defence Secretary, will try to allay those fears in Brussels today.

Leaders on the firemen's strike

From Mr Graham Collins: on the Hunterston power station, from Mr D. R. Berridge. Leading articles: The Middle East; The Arts Council; Features, pages 6 and 14. Henry Stanhope on how the brasses marched to retreat; Bernard Levin and what happened to the Cheekyfair; James Reston talks President Carter. Obituaries, page 16. Mr David Bruce; Lieutenant-Colonel L. F. R. Fell. Arts, page 7. Paul Overy and William Gaunt on London art exhibitions; Irving Wardle of From into April (ICA); Richard Williams on Nina Simone at Drury Lane; concert.

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Bermuda curfew eased and first troops to be flown back to Belize

From Michael Leapman
Hamilton, Bermuda, Dec 5

After another night of comparative peace here, Mr David Gibbons, the Prime Minister, announced that the curfew in effect for the past three nights would be eased to begin at 9 pm instead of 5.30 pm. Later, Sir Peter Ramsbottom, the governor, disclosed that a third of the British troops who arrived here yesterday at his urgent request would be leaving tomorrow.

The 80 men of the Royal Regiment of Wales, who were dispatched from Belize, are to return tomorrow to continue duties guarding the border with Guatemala. They had been sent here because they could arrive a few hours earlier than the company of The Royal Regiment of Fusiliers, which came from Britain.

At the time the request was made, Sir Peter thought some hours could be vital in containing an explosive situation, which did not, in the event, arise. The fusiliers will stay until things return to normal.

Mr Gibbons said that if things remained calm, the curfew, imposed after riots and arson by youths protesting against the hanging of two black murderers, would be lifted altogether in a few days.

Sir Peter said calling in the troops had been a calculated gamble. On Saturday there was a daylight confrontation between youths and the police in Hamilton. It was feared the mob planned to march on the city centre and burn shops and restaurants.

Also, the attacks seemed to have been concentrated on food shops. If more food stores had gone, we would have had a problem there," he said. Today there was no evidence of the panic buying seen on Saturday.

The risk, on the other hand, was that the presence of British troops might inflame anti-white feeling. "It revives the colonial stigma," Sir Peter said.

He did not, however, believe the youths were politically motivated. They were out for kicks and against all authority. Like young people everywhere they were affected by drugs and by violence on television.

Although the riots were not serious in the sense that hardly anyone was injured, he said, the damage to property worried people in so small a community. "It is as though all this were to happen in Cheltenham," he said.

Mr Gibbons, at his press conference, made the same point about the nature of the disturbances. Bermuda rioting, he said, was mild "compared with Washington or Nottingham Hill".

Discussing the political context of the past few days' events, Mr Gibbons pointed to progress made in racial equality in Bermuda. More and more blacks were being appointed to positions of authority, particularly in government, he said. Unemployment, at under 2 per cent, and inflation, at 4 1/2 per cent, were among the world's lowest, and income per head was among the highest.

He was strongly critical of statements made yesterday by Mrs Lois Browne-Evans, leader of the Opposition, accusing her of "attempts to damage national unity and harmony".

This, he said, struck at the heart of Bermuda's social fabric at a time when unity was needed more than ever.

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Mr David Bruce dies aged 79

Washington, Dec 5.—Mr David Bruce, the former United States Ambassador in London, Paris, and Bonn and former American representative in Peking, died here last night at the age of 79.

Among his other posts was chief Vietnam negotiator in Paris in 1970. He fought in the First World War.

Obituary, page 16

The Queen on Christmas TV

The Queen's broadcast will be televised on Christmas Day at 3 pm on BBC1 and at 5.40 pm on BBC2 and jubilee year will be recalled in three Christmas programmes, the BBC said yesterday.

The emphasis over the holiday period will be on home produced comedy and drama.



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HOME NEWS

Fires reach 4,928 in week after drop at beginning of strike

By Donald Macintyre
Labour Reporter

The number of fires has been rising after a marked drop at the start of the firemen's pay strike, which began on November 14, according to Home Office figures released yesterday.

The weekly total of reported fires remains below average, thanks apparently to the Government's campaign to encourage greater vigilance. But whereas in the first week of the strike there were only 3,992 fires in the United Kingdom, compared with the average November weekly total of 5,600 last week there were 4,928.

Deaths in fires, of which, up to 9 am yesterday, 63 had been reported since the strike began, are at a slightly higher rate than usual for the time of year, three a day over the three weeks.

That average is usual over a year, but the daily toll in recent November has been only 2.5. The Home Office said last night that 13,734 fires had been reported since November 14, compared with a normal total for three weeks in November of 16,800.

An official expressed concern that people appeared to be becoming blasé.

The next stage in the dispute will be decided when the 16 members of the Fire Brigades Union executive meet in London today to consider a strategy in the light of Friday's decision by the TUC's finance and general purposes committee not to support a national campaign against the 10 per cent limit on average earnings rises.

Mr Ronald Scott, secretary of the Strathclyde branch of the union, said yesterday that a quarter of his men would leave their jobs if the Government did not meet the firemen's claim of a rise of 30 per cent.

"How they make up that figure is a matter for the employers or the Government", he said, "but the men are saying that if they do not get a rise this time there is not going to be a fire brigade."

Neither the Home Office nor the employers' side of the national joint council was able yesterday to state how many firemen have decided to resign. The FBU says that of the 30,000 full-time firemen on strike a few hundred have probably done so.

The FBU's Tyne and Wear brigade committee stated yesterday that it would not try to obstruct troops who crossed picket lines to release equipment or to use fire stations.

Mr John Miller, secretary of the union's county branch, said the assurance to the county council was given after complaints about the Army's living conditions and equipment, and suggestions that there would be "bloodshed" on the picket lines if the Army moved into fire stations.

He added, however: "I hope the troops will not try to use fire station equipment, because it would endanger soldiers' lives if they were to do so without training." But the statement "did not mean that equipment and accommodation used by troops will not be blacked by our members."

The FBU has received £1,000 from the Amalgamated Union of Engineering Workers (Foundry Section) and £5,000 from the National Union of Railwaymen.

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Houses won 'historic' status after being burnt

By John Young
Planning Reporter

A public inquiry into a new road scheme which begins today may shed light on mysterious goings-on in the town of Trobridge, Wiltshire. At the very least, events suggest imperfect liaison between government departments and between Whitehall and local authorities.

Early last summer numbers 10, 12 and 14 Ashton Street were destroyed by a fire on some say, two fires. The houses are, or were, listed as of historical interest.

The use of tenses becomes somewhat complicated in that they were not so listed when, as it were, they were still there, but they have now been listed when not much of them is left. Quite why, or how, the fire or fires started is difficult to elucidate. According to one local resident Home Office officials were making a film on the houses and things got out of hand.

The Home Office denies any such suggestion. "We disclaim all knowledge of any film we have undertaken on arson, which has involved the destruction of property in Trobridge," an official said.

A reporter on a local newspaper said he thought there had been two fires. The first, which he reported for his paper, was caused by a fire started by tramps; the second, shortly afterwards, went almost unmarked.

He added that much of the area, which had been blighted by the road proposals for the past 12 years, was destroyed. West Wiltshire District Council knew nothing of two fires. "I do know that we gave permission to the local fire brigade to use some buildings in that street for practice," an official said.

He agreed that the three houses concerned would not have needed to be demolished to make way for the proposed road, although it would be very close. But they were in an area scheduled for clearance, and were not "spoiled" by the Department of the Environment until after the fire.

Asked why it had decided to list some 30 houses in the neighbourhood at such a late stage, including the three destroyed by fire, the department explained that it had only recently surveyed the area. It had not previously realized that the buildings were threatened by the road proposals, although the plans had been published as long ago as 1965.

Theft by policeman
Peter Gerald Matthews, aged 31, a police officer, of Chapel Walk, Hendon, London, who was due to join a special squad to catch shoplifters at the Cross shopping centre, was fined £80 by Hendon magistrates yesterday for shoplifting.

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Commons debate today on dismissal of sheriff

From Ronald Faux
Edinburgh

The ordered dismissal of Mr Peter Thomson, Sheriff of South Scotland, by the House of Commons today on the initiative of Mr Dennis Canavan, Labour MP for Strathclyde, W.

Mr Canavan will seek to have the dismissal order by Mr Millan, Secretary of State for Scotland, annulled, if the move fails, the dismissal will take effect immediately.

The trouble arose from the publication of a pamphlet by Mr Thomson urging a plebiscite on Scottish home rule.

Although Mr Millan is anxious to have the issue fully debated in the Commons there seems to be little sympathy for the sheriff in government circles. An attempt to allow

him to appear before the Commons was rejected. Lord Emsdale, Lord Justice General, said that the House of Commons was not a court of law and that the House of Commons was not a court of law.

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Heir must give up castle to marry his mistress

Mr James Bryan Bell, heir to the Bell family, and a wealthy man in Ireland, was told by Mr Justice Reave in the Family Division of the High Court yesterday that if he wanted to marry his mistress he must give up his interest in the 320-acre family estate, Barmagh Castle, Dundee, Co. Louth.

Mr Bell, aged 57, is living in a £10,000 semi-detached house at Hollis Close, Upper Grotto Road, Wickham, Greater London, with Mrs Owen Bell, aged 55, known as Mrs Bell, a journalist and former wife of a former neighbour in Ireland.

He wishes to end his 35-year marriage to Mrs Mary Elizabeth Bell, a clergyman's daughter, who is still living in the castle, and to marry his mistress, Mrs Owen Bell.

Mr Justice Reave granted Mr Bell a decree nisi. But he ruled that before the decree is made absolute he must hand over his interest in the family estate to his children, a major in the Irish Guards.

Mrs Bell, aged 54, had opposed her husband's divorce petition on the ground that it would create hardship for her. The judge said Mr Bell was well founded, counsel said.

The men walked to the village of Wickham, a mile away, where Mr White stole a Volvo car, counsel continued. While Mr Liddle was walking back towards Barmagh he met Mr Spoke said.

After pushing him into the river Mr Liddle went to Barmagh, where he was picked up by Mr White. They fetched their friend, Kay White, from the public house and drove away. Three days later the three of them were stopped on the M4 and were later arrested. The trial continues today.

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Men killed as huge wave sinks trawler

The trawler Boston Sea Ranger sank with a confirmed loss of three lives yesterday after being struck by a huge wave five miles off Land's End. A search for two other men was abandoned after hopes had vanished that they could still be alive.

Mr Ian Lacey, the skipper, who was rescued with two other men, said at Newlyn, Cornwall, that he had jumped from the trawler a few minutes before it went under. The wave had struck the trawler, causing the boat to capsize, he said.

It was all over in seven or eight minutes, he said. The third man, who was a strong swimmer, took off his life jacket and gave it to another member of the crew, and then swam one of the reefs that had been launched.

Mr Lacey also took off his life jacket, checked that all had abandoned ship and jumped into the sea. The upper superstructure hit him as it sank, he said. He found Mr Michael Reynolds, the mate, and Mr Raymond Palmer, another member of the crew, on a raft.

The dead men are: Mr Thomas Switzer, of Pennington, Hampshire; Mr John Lacey, aged 22, of Lowestoft; and Mr Anthony Smith, aged 31, of Cobham, Great Yarmouth.

The missing men were identified as Mr Peter Smith, of Lowestoft, and Mr Eraser Le Foldevin, of Wrentham, Suffolk.

The Department of Trade has ordered a preliminary inquiry into the loss of the Boston Sea Ranger.

In the same area less than three weeks ago, the coaster Union Crystal sank with the loss of five men.

A rescue attempt involving five ships was mounted last night when a fire broke out in the engine room of the Rose Daphne, a South African-owned vessel, 150 miles south-west of Land's End. Signals from the ship, which has a crew of 20, indicated that the fire was under control but that power had been lost.

Gallantry medal awarded to Tube driver posthumously

The Queen's Gallantry Medal has been awarded posthumously for the first time since the change in custom means that the George Medal also can be given in future to people who have died.

The award is made today to Joseph Stephen, a West Indian, aged 34, who was driving the London Underground train on which an IRA bomb exploded in March last year.

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Weather forecast and recordings

Channel Islands, SW England: Rain at first, brighter later with scattered showers; wind S, SW or W, fresh or strong; max temp 10° to 12° C (50° to 54° F).

East Angles, E. NE England: Mostly cloudy, rain at times; wind SE, strong; max temp 5° to 6° C (41° to 43° F).

NW, central N England, Lake District, SE of Man, Borders, Edinburgh and Dundee, Aberdeenshire, Glasgow, Central Highlands, Argyll: Mostly cloudy, rain at times; wind SE, fresh or strong; max temp 5° to 7° C (41° to 45° F).

Morey Firth, NE, NW, Scotland, Orkney, Shetland: Cloudy, mainly dry; wind SE, strong; max temp 7° to 8° C (45° to 46° F).

Outlook for tomorrow and Thursday: England and Wales, cloudy, occasional rain; Scotland and N Ireland probably mainly dry; mostly rather cold.

Strait of Dover: Wind SE, strong to gale; becoming S, moderate; sea very rough, becoming moderate.

Channel Islands, SW England: Rain at first, brighter later with scattered showers; wind S, SW or W, fresh or strong; max temp 10° to 12° C (50° to 54° F).

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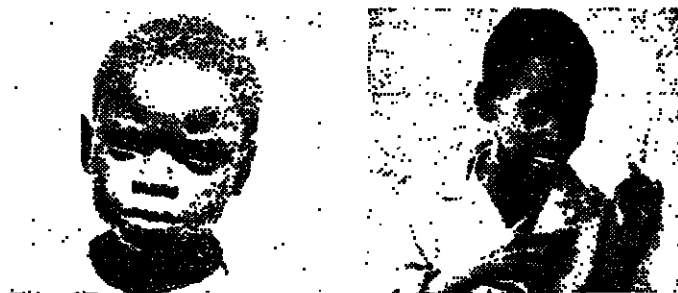
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Won't you be my 'Postal Parent' for £4.33 a month?



Agnes Mathan, age 8, Kenya. Musakabaka, age 10, Burundi. Jar Narayan, age unknown, India. Hassan Gauri, age unknown, Kenya.

Agnes was born deaf and dumb. She has seven brothers and sisters. And her father is unable to provide adequately for the family. Musakabaka is in Standard II and is very well. But without aid or sponsorship his parents will be unable to keep him at school. Jar is a very poor Indian tribal boy. He is undernourished and inadequately clothed. His father is also too poor to pay for Jar's education.

Hassan is one of four children. Although his parents try hard they find it almost impossible to provide him with sufficient food and clothing.

Without funds these children face a bleak future. Yet you can give them a chance. As a 'Postal Parent' giving £4.33 a month you could enable us to provide a well-balanced diet, clothing and a practical training. And you could follow 'your' child's progress through letters and news.

We invite today to learn how EVERY SINGLE PENNY OF YOUR DONATION goes overseas to help a needy child. ACTION IN DISTRESS WORKS WITH EXPERIENCED RELIEF ORGANISATIONS OVERSEAS INCLUDING: The Salvation Army; Catholic Relief Services; and the Church Missionary Society. SUPPORTERS INCLUDE: Harry Secombe; John Timpon; Yehudi Menuhin; Dora Bryan; and Norman St John Stevas.

To: Hon. Treasurer, The Rt. Hon. Christopher Chataway, Action In Distress, Dept. T701, c/o Midland Bank Ltd, PO Box 165, 52 Oxford Street, London, W1A 1EG. Appeal Tel: 01-734 6472. (please tick)

I wish to help a needy child now (and enclose a month's help of £4.33) and request photo, covenant form and information about a child in urgent need. []

I prefer to befriend a child and family at £10 a year (and enclose a month's help of £8.33) and request photo, covenant form and information about a family in urgent need. []

Please make cheques payable to ACTION IN DISTRESS. I cannot sponsor a child at present but enclose a donation of £10 [] £3.50 [] £5 [] £10 [] (please tick for receipt)

Name [] Address [] Tel: []

Darlington journalists to urge spreading of strike

By Our Labour Reporter
The National Union of Journalists' executive will be urged today to spread a closed-shop strike by 2,000 journalists centred on Darlington. The six-month stoppage is the longest in the union's history.

The strikers have overwhelmingly rejected a possible peace formula, that emerged after talks in London between national officials of the NUJ, two printing unions and senior management. There was hardly any discussion on the central issue of the closed shop.

The journalists are employed by North of England Newspapers, a subsidiary of the Westminster Press group. The decision of today's special NUJ executive will be keenly watched by printing unions, whose stoppage in sympathy has halted several newspapers.

Mr Joe Wade, general secretary of the National Graphical Association, is due to address the day visiting troops in the Basins, including those in the barracks where living conditions have recently been the subject of harsh criticism.

He said at a press conference that pay rather than conditions was the burning issue. In one unit of 98 soldiers from 47 Field Regiment, RA, a total of 21, including four sergeants, had been sent to the barracks to catch shoplifters at the Cross shopping centre, was fined £80 by Hendon magistrates yesterday for shoplifting.

He was charged with stealing a television set from a shop. He was charged with stealing a television set from a shop. He was charged with stealing a television set from a shop.

HOME NEWS

Spina bifida babies 'given help to die'

By Our Medical Correspondent

Drugs are being given to handicapped babies to speed their deaths, a surgeon says in an article in the *British Medical Journal* today on the care of infants born with spina bifida.

Professor R. K. Zachary, who works at the Children's Hospital, Sheffield, says: "There is a widespread myth that if you operate on a child with spina bifida the child will live, and if you do not operate he will die. This is nonsense. They will not all die spontaneously."

Professor Zachary agrees that some babies are born so severely handicapped that no operation is justifiable. However, he maintains that, in those circumstances, instead of giving normal care and attention, some doctors are giving the babies high doses of drugs such as chloral or morphine. "No wonder these babies are sleepy and demand no feeds," he says. "With this regimen most of them will die within a few weeks, many within the first week."

He believes that that attitude to spina bifida is a spill-over from the disregard for life evident in willingness to terminate pregnancy if the foetus is known to be abnormal.

"If we eliminate all the severely handicapped children with spina bifida there will be no more problem," he writes. But if doctors look for opportunities to make sure that severely handicapped babies die in the first few days of life, he believes the same attitude is likely to persist with older children.

He asks: "Why stop at spina bifida; why not all the severely affected youngsters, those with Down's syndrome, those with Duchenne's syndrome?"

Doctors who use high doses of sedative drugs in the treatment of newborn babies with severe handicap, he says, are not aware of the fact that such actions are best for the child and the family, but there should be no pretence that all those babies are dying spontaneously.

20 children hurt

More than 20 children were treated for cuts and bruises after their school bus crashed into an estate agent's office at Station Approach, Orpington, south London, yesterday.

Princess fined

Princess Margaret, of Sweden, was fined £15 and had her licence endorsed by Oxfordshire magistrates yesterday after admitting speeding.

Commercial art galleries: 2: Recession affects contemporary works Market improvement promises a good year

By Roger Barthoud

When one asks two dozen dealers of all sorts how inflation and the recession have affected them, the answers are startlingly varied. The effects of the 1977 oil price rise and subsequent Stock Exchange slump were not felt for about six months, the usual time lag for booms and slumps to work through to the trade.

Everyone agrees 1977 was very bad. There was no great drop in prices. But owners clinging on, there were very few buyers and costs rose sharply. Things began to pick up in 1978, last year was not too bad, and this year promises to be good for bigger dealers, though not back to the halcyon days of the 1960s.

Life remains difficult, however, for those less geared to exports and without the expensive stock that justifies the travel to trade fairs and clients abroad.

That is particularly true with contemporary paintings, where dealers have the pleasure of staging one-man exhibitions but also the extremely high cost of that form of "suspicious creativity," as Mrs Gillian Raffles, who shows sound figurative work at the Mercury Gallery in Cork Street, called it.

My account is beginning to see shows are an indulgence," she says. Sales from stock of more expensive items are essential to stay afloat.

Cork Street has the highest concentration of modern galleries, three of which belong to Mr Leslie Waddington, and one to his father, Mr Victor Waddington. Mr Leslie Waddington, who has artists such as Elizabeth Frank, Anthony Caro, Allen Jones and many others high flyers in his stock, merged his father's with an established Impressionist specialist, Arthur Tooth and Sons. He has a backer in Mr Alexander Bernstein, deputy chairman of Granada Television.

Mr Waddington said his overheads, which include such as insurance, transport, rent and rates are about £2,250 a week, or £450,000 a year. Net profits rose steadily to £146,000 in 1977, fell sharply in 1978, but were far below 1973 level last year.

This year, with the Tooth merger, promises to be very good, he said. Probably only 5 to 10 per cent of turnover comes from one-man shows, and the costs are "disproportionate".

"The real money is when you buy, say a Leger, for £3,000 and sell it for £30,000. He exports perhaps 90 per cent of turnover, mainly to youngish people in business, the professions and show business, in



Miss Felicity Samuel with her Savile Row gallery's present "line", glass-fibre mouldings of roads and pavements.

Germany, Switzerland, the United States, Canada and Japan, with some Middle East clients. "A lot of people earn £80,000 to £90,000 and have £100,000 or £200,000 to spare."

Mr Peter Gimpel, of Gimpel Fils, in Davies Street, which has branches in New York and Zurich, says his overheads are about £150,000 a year. "If I don't come from home I could live on selling a few pictures a year. As it is, I have to sell about £350,000 worth to cover overheads and pay myself a salary of £10,000. He has always exported virtually everything."

The falling pound has complicated life as well as increasing such costs as travel and transport. "I have to put up the sterling price of say, the dollar level, or his prices would understate those in the United States and their value there would drop," he said.

He is disheartened by the dearth of reviews of exhibitions in the British press. "We are shown, and get a kick out of putting on a good show and getting good attendance, even if there is no sale."

A newcomer to Cork Street is Mr James Mayor, whose Mayor Gallery, founded by his

father, recently moved from South Molton Street. He worked up to 1973 at Sotheby Parke Bernet in New York, and specializes in American painters such as Claes Oldenburg, Ellsworth Kelly and Robert Rauschenberg. Clients are mainly in Switzerland, Germany and Sweden. "They come from a background of money, and have made more," he said.

He needs to turn over £500,000 a year to break even. He misses the way people flock to galleries and museums on Saturdays in New York.

"People do not realize Cork Street provides a free education, what the Arts Council and the Tate should be doing, but out of our own pocket."

Miss Felicity Samuel, daughter of Lord Bearsted, of Hill Samuel, the bankers, started her gallery in Savile Row five years ago, but found the fall in sterling put up the prices of her collection of Californian artists too sharply.

She looked for more British painters and sculptors, mainly abstract. "The gallery prides itself on being a part of their career," she said. Perhaps 10 to 15 per cent of sales are to Britons, the rest worldwide.

"In the United States in particular art has a lot of prestige. If you have a large Jasper Johns there, it is the same sort of status symbol as having a Rolls outside your door. Here it has none at all."

"But life is very civilized in London and I would not want to live in a world where every morning people are trying to pinch your clients. We do not necessarily make money every year. But we exist, and that is a feat."

Mr Alec Gregory-Hood, a former colonial, who started the Rowan Gallery in 1962, moving from Belgrave to Bruton Place in 1967, pays his artists a salary every quarter, a practice pioneered by Marlborough Fine Art.

"Some years you get it back, some years you do not." With a staff of four he reckons he can give a satisfactory service to 14 or 15 artists; his best known are Bridget Riley and Philip King.

He exports about 80 per cent. People look at the gallery's large abstracts and say: "There is no way I could get that in my room." Often they are wrong; a big painting, he said, increases a small space.

"I did not believe it, but it is true."

Next: Selling to the rich.

Arts Council willing to risk giving offence for sake of development

By Kenneth Gosling

People who are not prepared to have their preconceptions challenged should keep away from contemporary art, Mr Roy Shaw, secretary-general of the Arts Council, says in the council's annual report. They should expose themselves, he says, only to those heritage arts that time has rendered innocuous.

It was right that people should be concerned with the nature and quality of pictures, publications or performances supported by public money. At the same time, the Arts Council, while itself concerned, could not assume the responsibilities of the guardians of the law and public morals.

A little thought would show that it was neither possible nor desirable for the council to censor many thousands of art activities throughout the country, "which is what would be necessary to satisfy some of its critics."

Referring to the controversy over some exhibitions at the council-funded Institute of Contemporary Arts (ICA) Mr

Shaw says that its whole year's work will continue to be taken into account when assessing grants. "There is always a chance that some one or two of its hundreds of annual activities may give offence to some people. That is a risk that must be taken if the arts are to grow and develop."

The swing from Victorian prudishness should not go as far as the abdication of judgment, he says. "But the business of drawing the line between the merely shocking and the truly objectionable is not, and never can be, an exact science, particularly when society is given by doubts about its standards, both moral and aesthetic."

While the council was criticized for laxity in the case of the ICA, a different criticism, that of excessive moral rigour, had gone unnoticed. It had decided not to issue a catalogue for an exhibition for which it was directly responsible because one paragraph contained mainly four-letter words.

The decision was a hurried one and in subsequent discussion the council felt that the

catalogue should have been distributed. It apologized to the two artists concerned.

On support for community arts, he says it would be "robbing Peter to pay Paul" if the National Theatre were to be closed to find more money.

Mr Kenneth Robinson, chairman of the council, told a press conference yesterday that the National Theatre was more expensive to run than expected.

"We have a very real obligation to the theatre movement throughout the country, and although the National has been an enormous advantage to London and the whole of Britain there is a limit to what we can do to funding it."

The council's grant in aid for 1978-79 would be known before the end of the year, he said.

The council has previously pointed out that late notification of the grant is an embarrassment to its clients, since orchestras and theatres need to plan well in advance and want to know what money will be available.

Value for Money (Arts Council, 105 Piccadilly, London, W1V 0AU, 80p).

Leading article, page 15

Battle lines drawn over road plan

A battle has been unfolding in the village halls and public houses of the West Country over the past month as two sharply divided camps seek by persuasion, consultation and propaganda to determine how road transport shall develop in north Devon over the next decades.

Both sides agree that roads in the area are no longer capable of dealing adequately with the increasing flow of traffic to one of Britain's most picturesque areas, which pays the price for its beauty by a road-shaking invasion every summer.

Their differences, however, are fundamental and emotive, and it is clear that many barriers will be needed in order to prevent the Department of Transport from achieving its aim of constructing a link road from Tiverton to Barnstaple by the mid 1980s.

For once the Department of Transport is not the universal whipping boy, for its proposals have attracted the support of industrialists, trade unionists, local politicians and MPs.

Ranged against them in vociferous unison are local landowners, other local councillors and environmentalists who fear that a concrete ribbon would devour agricultural land and scar the landscape.

Throughout November the department's road construction unit mounted exhibitions in the area displaying in great detail

Regional report

Tim Jones
Barnstaple

alternative routes for the link road, which would not be of motorway standard, and asking the public to fill in a questionnaire stating preferences.

Photographs showed that the proposed road would be landscaped near Willcroft Moor, Bishop's Nympton, George Nympton, Leary Barton and High Down. Further photographs showed summer traffic crawling monotonously through suffering villages without stopping for the passengers to distribute their wealth.

When Mr Rodgers, Secretary of State for Transport, announced the proposed road last year he said it was designed to give commercial concerns in north Devon a much improved access to the M5, which is now the main artery to the West Country. The link, he said, would free many small villages in the area from the damage, noise and pollution of lorries.

That argument for the road has been adopted by industrialists, whose clarion cry is that man cannot live in a picture postcard. The link road, they maintain, will aid industries

and attract new industry to the area to combat growing unemployment.

Visitors to the exhibitions have been met by representatives of the North Devon Link Road Action Group.

They contend that agriculture, tourism, manufacturing and service industries in the area would best be served by improving existing roads and providing by-passes for villages. They say difficulties on the roads in the area are caused by local bottlenecks, which can be overcome without imposing a "scar on our landscape."

The action group is supported by Lady Margaret Fortescue, who thinks a new road would lead in time to a Blackpool-style city on the north Devon coast, dominated by big operators. In order to justify it, she says, future governments may urge accelerated industrial growth to the area, until north Devon as it is now becomes a distant memory.

Department of Transport experts strongly deny the claim that a new road would be much more expensive than improving existing routes and claim, indeed, that it would be cheaper.

When, as seems inevitable, a public inquiry is held, it seems likely that the loudest voice will come from the people who have filled in the questionnaire, for it is they who will have to live with whatever proposals eventually win the day.

Sir John Garlick favoured as new Environment head

By Peter Hennessy

Sir John Garlick, second Permanent Secretary to the Cabinet Office, is almost certain later this month to be named as Permanent Secretary to the Department of the Environment in succession to Sir Ian Bancroft.

Sir Ian was appointed Head of the Home Civil Service last week and is due to take up his post on January 1. The expectation in Whitehall is that an interregnum at Environment will be avoided.

The Senior Appointments Selection Committee meets in the next few weeks for its last session under the chairmanship of Sir Douglas Allen, the outgoing Head of the Home Civil Service. It is thought that the nine permanent secretaries will make up its membership will recommend Sir John Garlick's name to the Prime Minister once Sir Douglas Allen has consulted Mr Shore, Secretary of State for the Environment.

Sir John, aged 55, is due for a move in October, 1978, he took over leadership of the

construction unit established by the Cabinet Office to gear Whitehall towards devolution. With the Scotland and Wales Bills on their way through Parliament, the bulk of its work is done unless ministers impose sudden and unexpected tasks on it.

Sir John has had long experience at Environment. He ran the roads programme in a period when it was absorbing much public expenditure. The other possibility for Sir Ian Bancroft's post is Sir Peter Baldwin, who moved from Environment, where he had been second Permanent Secretary for a short spell to the Department of Transport when Mr Callaghan reconstituted it in September last year. He is so highly regarded there that the expectation in Whitehall is that the Prime Minister and Mr Rodgers, Secretary of State for Transport, will leave him where he is.

It is not thought that Sir John will be replaced in the construction unit, as his workload is no longer sufficient to carry a permanent secretary.

Fresh look at education 'necessary for society'

By Simon Midgley, of The Times Higher Education Supplement

A fresh look at the British education system from a different standpoint is essential to meet the real needs of society, Dr Patrick Nutgens, Director of Leeds Polytechnic, says in a paper discussed last night by the Society of Industrial Artists and Designers.

Dr Nutgens argued that the world of action, of making and doing, needed to be studied as "the missing piece of a relevant education and a corrective to a dead tradition."

The idea that the ordinary world dealt with things and the educated mind with ideas is a pure world of clear and perfect unities not to be found in the imperfect, flawed and confused world of industry and work," he was warning a stranglehold on the education system.

The academic factory was now in business, sufficient unto itself. Research, including literary research about matters so uninteresting that one was likely to want to do it again, became the aim of the learned, and teaching a poor

second, not indeed what the professors were really there to do.

Among the research a small proportion was of the utmost significance for the future of the world. But for the most part, the majority of research in and out, weighing down the library floor, becoming sooner or later itself the stuff for more research and more papers.

Destroying the Green Paper on education, the great debate "on education as a remarkable for its conventional, its lack of ideas and its profound complacency," he said it was based on conventional accepted values—namely that the gifted should go on to academic studies while the less able turned to careers and the world of work.

One of the keys to educational progress, he said, must be to study in more detail the actual process of thinking out practical problems and making. Any education system that ignored technology and ignored creative ingenuity was inert and removed from the reality of our world, he said.

Student growth leaves staff behind

By Diana Geddes

Education Correspondent

Support for the university teaching staff, on an increased basis, is to be found in a latest volume of statistics on universities, published by the Government today. It shows that while the number of full-time students rose by more than 10 per cent between 1974 and 1975, the number of academic staff increased by 0.1 per cent.

The increase in student numbers—was the largest recorded in the five-year period, 1970-1975, the increase in academic staff was much the smallest.

The number of full-time stu-

dents in universities nearly doubled between 1964 and 1975, rising from 138,711 to 261,258. During the same period the number of academic staff went up by less than three-quarters, from 18,375 to 31,381.

The rate of increase in the number of women students between 1970 and 1975 was almost double that for the student body as a whole. In 1975 women represented one in three (33.6 per cent) of all students, compared with about one in four (26.4 per cent) 10 years earlier. Women still account for only one in four postgraduates, however.

While the number of undergraduates increased between 1974 and 1975 in each subject group, those reading science

subjects showed a much smaller increase than those reading arts subjects. The latest figures, however, which are not included in this volume, indicate that there has been a revival of interest in the sciences.

The proportion of undergraduates reading science subjects fell by more than 3 per cent between 1971 and 1975, but they still account for more than half (52.6 per cent) of all undergraduates. The proportion of postgraduate reading science subjects went up in 1975 for the second year running, to 49.2 per cent of all postgraduates.

Statistics of Education, Volume 6, 1975 Universities (Stationery Office, 58.75).

Men convicted seven years ago are cleared

Four factory workers, convicted seven years ago of plotting to pervert the course of justice, were cleared by the Court of Appeal yesterday.

The four, jailed at Kent Assizes on April 24, for an alleged attempt to frame innocent men on harm charges, had their convictions quashed after Mr Edward Gardner, QC, for the Crown, had told the court that he could not oppose the appeal.

Sadr Randip Singh, aged 45, of Milton Road, Gravesend, Kent; Bakshi Singh, aged 33, of Parrot Road, Gravesend, and Gurmeet Singh, aged 42, of Kenmore Drive, Cleckheaton, West Yorkshire, have served their two-year sentences. Charan Singh, aged 53, of Darley Road, Gravesend, has served his 18-month sentence.

Their case was reopened by the Home Secretary and referred to the Court of Appeal yesterday after a conversation and an Indian immigrant had been kept in the recording Kaval Kalia, who interpreted for the prosecution at the trial of the Singhs, told the other man that they were wrongly convicted and that he had misled the court.

'Marriage' sentence

Pui Tsui, aged 28, a Chinese waitress, was sent to a house through a marriage ceremony with an English girl to enable him to stay in Britain was given a six-month prison sentence, suspended for a year, at the Central Criminal Court yesterday.

Lucas firms are accused of sanction breaking

By Our Correspondent

Fourteen summonses alleging that two subsidiaries of Lucas Industries broke the United Nations trading sanctions with Rhodesia are to be heard at a special sitting of magistrates at Aylesbury, Buckinghamshire, on February 8.

Magistrates at Princes Risborough agreed yesterday to require, by the customs and excise, and defence solicitors, that the case should be adjourned and that a special court should deal with commitment proceedings.

The subsidiary companies are Lucas Service Overseas Ltd and Lucas Ltd, both based at

Civic leaders call £8.75m county hall a bargain

From Our Correspondent

Newport

Gwent County Council, which is against devolution and more local government reorganisation, yesterday opened to the public its new £8.75m county hall complex, which civic leaders said was a bargain.

At a press conference after a tour of the final phase, a civic block that accounts for nearly £4m of the cost, Mr J. A. D. Bray, the council's chief executive, said the project was first mooted in the 1930s when the existing county hall in Newport was too small to house all the departments.

The 22-acre site at Croesyceiliog, near Cwmbran, was acquired in 1949 but the first

phase was not approved until 1969. Government delays, spending restrictions and inflation have pushed up the cost from an original £800,000 in about 1950.

The complex was worth £11m at present property values, Mr Bray said. Councillor Graham Powell said the new premises would make local government more efficient.

The new civic block contains a spacious panelled council chamber, a dining room, lounge and bar for the 78 members, committee rooms, public rooms, an assembly hall with a movable stage, and a gallery.

It is hoped that the hall, which can take nearly 500 people, will become a conference centre.

Acting upon the instructions of the executive of the late M. Daniel Grulbert :

Devere Crouch (Amier)

Offer for sale in one dozen lots the following

Wine	Vintage	price per doz
Clarets		
Chateau Lafite Rothschild (Poulac)	67	£152
Chateau Mouton Rothschild (Poulac)	67	£152
Chateau Latour (Poulac)	64	£133.20
Chateau Margaux	62	£167
Chateau Grand Puy Lacasse (Poulac)	70	£49.50
Chateau Rausan Segla	69	£46
Chateau Haut Badon (St. Emilion)	71	£27.40
Chateau St. Brice	73	£23.80
Bordeaux White		
Chateau D'Yquem	66	£193
Chateau D'Yquem	70	£177.46
Chateau D'Yquem	71	£131.20
Chateau Rieussec	70	£59.40
Chateau Rieussec	74	£46.20
Chateau Coutet	71	£42.80
Burgundy Red		
Aloxe-Corton (L. Latour)	73	£53.40
Beaune (Paul Bauchard)	71	£49.50
Clos-Vougeot (Sichle)	62	£47.40
Gevrey-Chambertin (Clos des Varoilles)	72	£46.50
Burgundy White		
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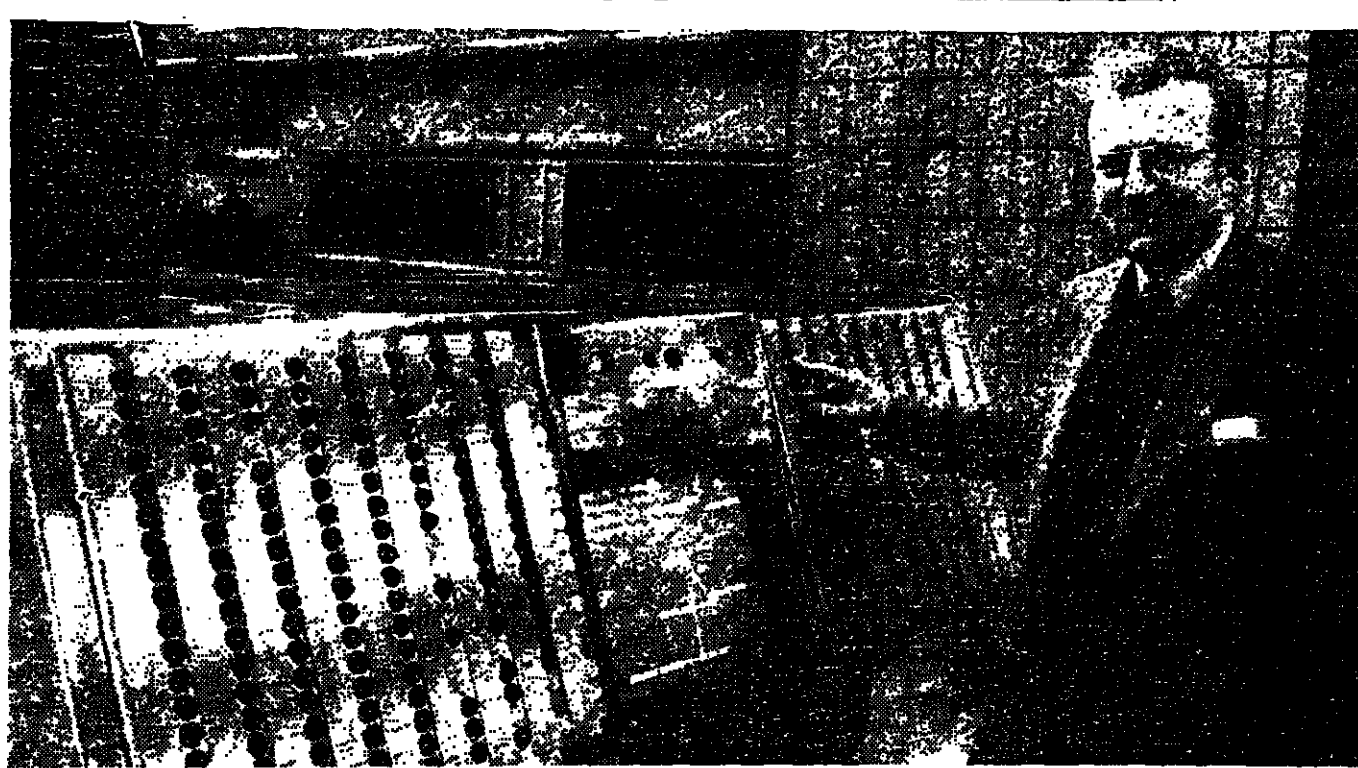
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HOME NEWS



Computer-controlled journey planner, with information in three languages, at the new station.

Strike will mean Queen has to walk

By Philip Howard

December 16 will be a black day for London taxi-drivers but a red letter day for travellers. The Queen is going to open Heathrow Central Underground station, the extension of the Piccadilly Line, which has taken nearly seven years to build and cost taxpayers and ratepayers £30m. Heathrow will become the first big international airport directly linked into the Underground system of a great capital city.

The only things not expected to be ready are the escalators because of a strike by lift and escalator engineers. Passengers

will have to climb up or down 40 steps.

Mr Michael Robbins, managing director of railways at London Transport, said yesterday that it had been decided that there would be less public disappointment if the station was opened without escalators than if the opening was postponed.

"The Queen knows about it, and will take it in her stride," London Transport's beautiful new station is not typical for one of the Queen's rare excursions into the Underground system. There are no graffiti yet on the bright yellow and orange paint. The telephones are working, and the telephone directory have not been stolen or defaced.

There are no advertisements for underwear beside the station's escalators. Heathrow Central is as bright as a new pin, the most modern computerized and automated such gate-

way to internal railways in the world.

It is connected by wide moving walkways to the three airport terminal buildings. Everything is well waymarked with internationally recognized symbols. There is a travel information centre manned by London Transport, British Rail, and the London Tourist Board.

A computer-controlled journey planner will project push-button route information on a screen in three languages, at least until it becomes the favourite toy of small boys and goes mad.

Train movements in and out of the station will be controlled by computer. An electrical substation has been built on the platform behind smoked glass, and closed-circuit television has been installed in the operations room. Cameras are linked to the line controller's office at Earsic Court, giving a

view of the platforms at Heathrow.

Marvellously there are a number of seats in the ticket hall, where automatic ticket machines dispense tickets up to £1. There is a sterling exchange to enable foreign visitors to get enough money to feed the machines. Everything is tastefully decorated with symbols of tailpipes and aircraft.

There is what is described as a "kiss-and-ride" bay, where motorists can set down or pick up Underground passengers. There are automatic doors and other wonders undreamed of on the travel-worn trails of the Central Line. Specially designed trains with extra space for luggage are being introduced.

From Friday week a journey by Underground from Heathrow to Piccadilly Circus will cost £0.55. London Transport estimates that it will take 40 minutes.

In brief

£100 more for drug find man

Mr Russell Davis, a British Airways employee, of Egham, Surrey, who received a £5 reward after finding about £500,000 of heroin, received a personal letter of thanks and £100 yesterday from the Board of Customs and Excise.

Customs officers at Heathrow had written to their head office suggesting that Mr Davis should get more.

Holidays in China

Thomson Holidays has been given the permission by the Chinese Government to carry 900 people on package tours to Peking and Shanghai from January to May next year. The 125-day holidays will cost from £575.

Ten held at airport

Ten men were detained by detectives at Heathrow airport, London, yesterday in connection with inquiries into the theft of liquor and other goods from the bar of a British Airways aircraft.

£2m improvements

More than 60 sites in Glasgow are to be landscaped or made into sports pitches, playgrounds, walkways and car parks at a cost of £2m. The area was criticized recently by a Duke of Edinburgh study group.

Correction

The Society of West End Theatre Award for actor of the year in a revival was Ian McKellen, for his performance in *Pillars of the Community*, not Derek Jacobi (*Hamlet*) as stated yesterday.

Alarm at growing number of homeless girls

By Penny Symon

The growing number of homeless young girls in Britain, some of them only 15, are alarming voluntary agencies trying to provide shelter for them. In London alone about two thousand girls will be homeless over Christmas.

Crisis at Christmas, the charity started 10 years ago to try to relieve some of the poverty and despair of single homeless people, particularly over the Christmas period, says in a report published yesterday that even in the recent past it had been assumed that young girls rarely became homeless. Surveys of 10 and 20 years ago showed a small, but neglected, population of older female "dossers". Although it was impossible to count them, it was estimated that there were no more than one or two thousand women, most of them of middle or advanced age.

Presenting the report, Mr Nicholas Scott, Conservative MP for Chelsea and chairman of the trustees, said there had

Students' funds not to aid outside causes

From Diana Geddes

Education Correspondent

Blackpool

Students' union funds must not be used to support essentially non-student causes such as union strikes, the National Union of Students decided yesterday. Contributions to such causes should come only from the students' own pockets or specific fund-raising activities.

The decision to adopt the policy, proposed in an emergency motion by the NUS executive, was taken by a narrow vote after one of the most heated debates of the union's four-day national conference, in Blackpool, which ended yesterday.

Opponents of the motion argued that restriction on spending attacked the autonomy of individual student unions. They said that the union should ever cause they liked, including non-student events such as transport to help the Grunwick pickets or contributions to the firemen's strike. Unions should have to account for their expenditure to outside bodies.

The national executive, however, argued that the financing structure must be publicly accountable. It fears that the universities which are reviewing students' union finances, may impose restrictions unless unions put their houses in order first.

The NUS has received legal advice which says that payments for purposes not related to the education, social activities, recreation or representation of students are outside the unions' power as defined by their constitutions and their charitable status.

In a background report to

the conference the national executive points out that ultra vires payments endanger charitable status and with it such fiscal advantages as exemption from corporation tax on the interest from deposit accounts.

Most students' unions are charities. Any student who felt that funds were being improperly used could apply for an injunction in the courts, either to prevent payment or to obtain compensation for union funds if they had been made, the report says.

The individual union's principal officers would personally be liable to repay the funds, it adds.

An outside body, such as the local education authority, which pays the union's fees for most students, or the college authorities, may also be able to challenge union payments, the report says.

The union has asked counsel for legal advice on the whole issue. It hopes to send guidelines to students before the end of the year.

Mr Peter Ashby, deputy president of the union, said it would have been committing political suicide if it had not recognized the need to stop ultra vires payments.

The conference decided yesterday to call a national day of action tomorrow in support of the Fire Brigades Union. It also decided to review the line it rejected an emergency motion condemning the "racist state of Israel" and supporting the Palestinian cause, and voted instead for a motion recognizing the equal rights of Palestinians and Jews to national determination.

'Loyalist' council broke law

From Christopher Walker

Belfast

Magherafelt, a "loyalist" controlled council, in Londonderry was found guilty in the High Court in Belfast yesterday of discrimination for refusing to allow two young Gaelic footballers to take part in a government-aided coaching scheme last summer.

The case marked a legal milestone in the continuing attempts to end discrimination in the Gaelic football world. The council was found guilty of discrimination under the 1975 Northern Ireland Constitution Act, introduced in 1973. Mr Justice Murray gave a reserved judgment.

The case arose after the local government elections in the province. A loyalist majority took control of Magherafelt council and decided in July to refuse Gaelic football to the two young players, who were members of a government-aided sports for young people swimming, association football and rugby were not affected.

Two teenage brothers, Kieran and Patrick, brought the case to court. They received a declaration yesterday that the council's decision was discrimination on the ground of religious belief or political opinion.

The judge announced that the council's decision was discriminatory. He said the council had to have coaching in Association football, and another in Gaelic football was no more relevant, for example, than the fact that one contained more blue-eyed people than the other.

He rejected the defence submission that by allowing the Gaelic Athletic Association into its summer scheme the council would be giving aid and support to a sectarian organization.

Under its present membership rules, he said, the GAA included a provision that was clearly discriminatory. He quoted a section of rule 15 which states: "British soldiers, Navy men and policemen should not be eligible for membership of the association."

He described the rule as having a distinctly unpleasant sting in its tail, because it also stated that any member participating in a Servicemen's or police dance would be suspended from membership for at least three months.

If the council coaching scheme had directly aided the GAA, and if the council had proposed handing money over directly to it, then because of rule 15, the defence point would have looked quite formidable, he said.

After the hearing, the Rev William McCrea, chairman of the council and a member of the Democratic Unionist Party, said the council's decision had been vindicated and the judgment showed that the Government was breaching the discrimination law in other respects by financing the GAA.

Jubilee symphony will be performed unfinished

By Martin Huckerby

Music Reporter

The new symphony by Malcolm Williamson, the Australian composer, and Master of the Queen's Music, has not been completed in time for its premiere at the Festival Hall before the Queen on Thursday, and only three of the four movements will be performed at the concert.

Mr Williamson explained yesterday that although he had planned his Symphony No 4 as an 18-minute work, it had grown under his hands until it had become "an enormous work" lasting more than half an hour.

He has been staying in the Camargue, working with little

sleep to complete the work, but the orchestration of the first movement has not been finished.

The London Philharmonic Orchestra will see the score for the first time today and rehearse the work under Bernard Haitink each day until the concert.

Similar difficulties affected the premier of Williamson's *Mass of Christ the King*, which had to be performed incomplete earlier this year.

The symphony, dedicated to the Queen, was commissioned for the jubilee. It is a highly complicated work: the strings, for instance, are divided into 14 parts instead of the usual five.

Farmers state case over 'dangerously low' prices

By Our Agricultural

Correspondent

Farmers' leaders said yesterday that the Government's latest attempt to shield the beef industry from dangerously low prices was inadequate. They said also that ministers had failed to safeguard the pig trade against cut-price competition that threatened the livelihood of British producers.

They were speaking at the start of two days of talks at the Ministry of Agriculture, Fisheries and Food the beginning of their negotiations for the 1978 farm price review. Their team was led by Sir Henry Plumb, president of the National Farmers' Union, and the deputy

president.

The Government has tried to stabilize the cattle market by ending its ban on sales of medium steers into EEC intervention stores. That will increase the potential for a British beef "mountain".

The farming unions insisted yesterday that the move merely avoided the central difficulty of farm prices depressed by the Government's use of the "green pound", with which EEC market prices are expressed in sterling. Their case was strengthened by publication of a report from Exeter University which showed that the proceeds of dairy farming in south-west England were lower than 10 years ago.

WEST EUROPE

Fears grow among European Nato group over American plans for arms limitation pact

From Henry Stanhope

Defence Correspondent

Brussels, Dec 5

Mr Harold Brown, the United States Defence Secretary, will have to allay serious fears among the European Nato allies about American proposals for the next strategic arms limitation (Salt) agreement when he addresses the alliance's defence planning committee here tomorrow.

This became clear after today's meeting of Nato's Eurogroup, at which countries, particularly Britain and West Germany, expressed concern about some of the implications.

The focal point for this concern is the range limitations which seem likely to be imposed in a Salt-2 treaty upon the long-range Cruise missile.

Mr Paul Warnke, the chief American Salt negotiator, disclosed these proposals to a meeting of Nato's permanent representatives in Brussels last week. If codified in Salt-2, they would limit the range of air-launched cruise missiles to 1,500 miles and, more significantly, would keep the sea-launched and ground-launched ones to only 375 miles.

Britain has still not made up its mind about whether it wants to invest in long-range Cruise missiles anyway. It has a strong interest in keeping open the

options, one of which might be a submarine-launched Cruise missile force to succeed Polaris as the country's strategic deterrent. But a 375-mile range would not be far enough for this.

Meanwhile, the Germans have an interest in a ground-launched system which could respond to the threat from the Soviet SS 20 missile system or the Backfire bomber. For these reasons they, too, are expected to put their views forcibly to Mr Brown tomorrow or on Wednesday.

Official sources were at pains to play down the extent of European feeling after today's meeting. The Eurogroup chairman, Mr Poul Sogaard, Denmark's Defence Minister, refused to comment when questioned at an official press conference.

Sources said the discussion among Europe's defence ministers ranged over the neutron bomb and the transfer of technology between the United States and Europe. They emphasized that what took place was only an exchange of views and was in no way an attempt to reach a consensus.

But one Nro observer described the meeting as a "show of one of the most far-reaching for many years. Although other countries, like Britain, still

have to make up their minds about the range of weapon systems now under development, they would like to have the options kept open for three more years so they can at least complete their studies.

It is generally assumed that Britain for one could develop a cruise missile of its own without American help. But United States' technological aid would speed the process and result in a more accurate weapon.

Moreover, Britain could not seriously consider developing a system which breached a Salt agreement, even if it was not a direct party to the terms.

There was also some impatience at today's meeting with the slow progress made by the European Programme Group which was started two years ago with the object of helping to sell European equipment to the two North American allies.

The group, which includes France, has succeeded in working out four main areas where Europe could supply more arms. These include tank ammunition, tactical combat aircraft for the 1980s, minehunters and anti-tank weapons.

Moreover, a dialogue has now started with the Americans through the Nato conference of national armaments directors. But some members would like to see both sides get a move on.

King Juan Carlos receives Communist leader

From Our Correspondent

Madrid, Dec 5

King Juan Carlos received Senator Santiago Carrillo, the Communist leader, today in the Zarzuela Palace. The audience appeared to be requested by Carrillo some time ago and it was the first time that a Spanish head of state had received a Communist leader since before the civil war.

The meeting was in line with other audiences which the King had accorded to political leaders. The fact that Carrillo was the last to be received underlined the sensitivity which still exists in the military hierarchy over the legalization of the Communist Party.

Senator Carrillo has publicly declared support for the king on many occasions, although his party continues to favour a republic. The audience can be expected to enhance the position of Senator Carrillo, who has won over backwards since his party was legalized last April to show his democratic principles.

It was learnt today that the King met the Archbishop of Madrid, Cardinal Enrique y Tarazona, last week to discuss the position of the Roman Catholic Church. The cardinal had complained bitterly that the new Spanish constitution proposed to declare the country a non-confessional state.

Left-wing political parties and unions in Andalusia called a strike for tomorrow to protest at the killing of a youth during a demonstration

in Malaga yesterday in favour of autonomy.

Senator Manuel Jose Caparros, aged 19, died when the police opened fire on a group of demonstrators throughout Andalusia yesterday demanding autonomy. In Galicia, demonstrations are going ahead for Basque people took part in similar demonstrations in the Basque Country and the Catalan autonomous Government, the Generalitat, has been reestablished, Galicia and Andalusia are way behind.

Senator Josep Tarradellas, the President of the Generalitat, was due to announce the composition of his government later today based on the results of the general election in Catalonia where the Socialists and Communists won most of the seats.

Malaga, Dec 5.—Senator Francisco Cabrer-Lopez, the president of the Malaga Provincial Assembly, resigned today in connection with the shooting.

Hundreds of wreaths were placed during the night at the scene where Senator Garcia Caparros was shot.—AP.

Book 'explodes Sherlock Holmes myth'

From Our Correspondent

Geneva, Dec 5

After 4 years of research, Dr Henri Muxaux, a criminologist and forensic expert, has produced a book designed "to explode the Sherlock Holmes myth".

Dr Muxaux, who now lives at Sion, claims in the book that Holmes's creator, Sir Arthur Conan Doyle, drew his inspiration from a real person, a Central figure of the book is a Frenchman, and the title can be translated as *Sherlock Holmes, King of the Tricksters*.

Under its present membership rules, he said, the GAA included a provision that was clearly discriminatory. He quoted a section of rule 15 which states: "British soldiers, Navy men and policemen should not be eligible for membership of the association."

He described the rule as having a distinctly unpleasant sting in its tail, because it also stated that any member participating in a Servicemen's or police dance would be suspended from membership for at least three months.

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Baader-Meinhof survivor on hunger strike

From Our Own Correspondent

Paris, Dec 5

Imogen Müller, the terrorist who survived the apparent suicide pact in Stammheim jail on October 18 has been on a hunger strike for two weeks, the Baden-Württemberg Minister of Justice disclosed today.

Her lawyers say that she is demanding to be put in a cell with or near a comrade, Verena Becker, who is on trial on six charges of attempted murder.

Two prison doctors certified that Frau Müller was unfit to give evidence today to a parliamentary committee investigating the suicides of the other members of the Baader-Meinhof gang. Andreas Baader, Gudrun Ensslin and Jan-Carl Raspe.

French broadcasting monopoly ruled illegal

From Ian Murray

Paris, Dec 5

The state broadcasting monopoly has been successfully challenged in the courts. Although the legal process still has a long way to run, a pirate radio station in Montpellier has won the first round in a fight aimed at changing the established system of state-run radio and television.

The pirate radio involved is in no way like the dozens of clandestine radio stations which have sprung up all over France recently. It was a proper organisation in its own right, installed in a tower block in the new area of Montpellier.

Two of its main directors are a former radio journalist and a lawyer, M François Chasseing, and M François Delmas, the city's former mayor, who is a member of the Central Committee of the Republican Party and also a lawyer. They helped to set up the station deliberately to force the broadcasting authority, *Télédiffusion de France* (TDF), into the courts.

Radio Fil Bleu, as it was called, went on the air at 7.30 on July 12 with a programme of local news and American pop music. It had £5,700-worth of equipment enabling it to broadcast over a 15-mile radius. Advance publicity had ensured that every- one, including the TDF, knew

when it was on the air and where it was broadcasting from. Within half an hour the TDF jammed the station, and the same thing happened on the following two days. On July 24 the equipment was confiscated and legal proceedings begun under laws passed in 1972 and 1974 confirming the state monopoly.

The directors could, under the laws, have been sent to prison for up to a month and been fined anything up to £4,100. Instead the court ruled on Thursday that there was no case to answer, because according to the Constitution, "liberty of expression and liberty of information are two fundamental principles of French law ever since the Declaration of the Rights of Man." The monopoly was, therefore, contrary to these fundamental liberties.

The court also accepted the argument of the defence that France was bound by the European Convention on Human Rights which it had signed 25 years ago. This stated that one right was "the liberty to receive or to communicate information or ideas without any interference by public authorities."

Article 55 of the French Constitution, the judge said, gave international law, like the Convention, precedence over French law, and therefore the articles under which the case had been brought were null and void.

Talks on nuclear test ban resume

From Our Correspondent

Geneva, Dec 5

After a month of assessment in their capitals, delegations from the Soviet Union, the United States and Britain today resumed negotiations for a comprehensive ban on nuclear tests.

Dr Paul Warnke, the chief United States delegate, said that he hoped for substantial progress not only on a test ban but also in the strategic arms limitation talks (Salt) and in the further round of United States-Soviet negotiations on arms limitation in the Indian Ocean, opening tomorrow in Bern.

With Soviet acceptance last month of the inclusion of peaceful nuclear explosions in any prohibition—at least in moratorium form—a test-ban treaty is believed to be within reach.

One of the main issues remaining is setting the initial duration of the treaty.

Rightists shoot Communist

From Our Own Correspondent

Rome, Dec 5.—Rightist terrorists shot and seriously wounded a Communist youth during a raid on Rignano Giarrocca, north of Rome, the police said today.

Three men armed with clubs, chains and a shotgun last night attacked two local leftists, the police said. One of the men was shot and wounded and fired at a bar, wounding the youth.—Reuter.

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OVERSEAS

Seven blocks of territory form the second independent homeland with that made-in-Pretoria look

From Nicholas Ashford, Mbababo, Dec 5

As midnight struck on the clock tower in Mafeking, South Africa tonight launched its second tribal homeland, Bophuthatswana, as an independent state to the accompaniment of 100 gun salutes.

In so doing, South Africa surrendered sovereignty over seven separate pieces of land whose total surface area is the size of Switzerland and with a population of 2,500,000 Tswana-speaking people.

The birth of the new nation which will go unrecognized by the world at large, as did the independence of Transkei a year ago—took place in a hastily-erected stadium made of steel scaffolding situated on the outer fringes of the Kalahari Desert. The independence stadium, the largest edifice in the nation's new capital called Mmabatho, just outside Mafeking.

Six months ago Mmabatho was a virgin bush. Now, in addition to the stadium there is a new maaron and yellow parliament building, a cluster of new houses for the President, Chief Lucas Mangope, and his ministers, a new luxury hotel-casino and a garage offering "farm fresh petrol". And that is all apart from a sea of grey brown tents, looking like a poor man's Persopolis, which provide temporary accommodation for the 18,000 Tswanas attending the five-day independence celebrations.

The whole event was reminiscent of Evelyn Waugh's *Scoop*.

A presidential salute fired by South African field guns earlier in the day caused cows grazing in the fields around the parliament building to bolt in panic. The Tswana official in charge of the press seemed to take delight in telling journalists that they would not be allowed to attend most of the independence functions and refused to release names of invited guests for "security reasons".

The programme of the independence celebrations was almost exactly the same as was followed in Transkei. During the day there was a football match in the stadium followed by traditional dances and a gymnastic display.

Shortly before midnight, Chief Mangope and Dr Diederichs, the South African President, arrived for the formal transfer of power. The South African tricolour was lowered and replaced by the Bophuthatswana flag, a red diagonal stripe on a blue ground with a leopard's head in the top corner. Members of the new Bophuthatswana national guard and the South African presidential guard presented arms, national anthems were played, guns boomed and an independence flame was kindled.

In his address, Chief Mangope was strongly critical of South Africa's race policies and described the fragmentation of Bophuthatswana into seven separate pieces as a "territorial credibility gap".

Independence, he said, meant that "we are no longer helplessly at the mercy of the arbit-

rary arrogance of those who, until this hour, trampled our human dignity into the dust". However, he urged Tswanas "not to inflict on whites what we have been inflicting on them for centuries".

On the issue of Bophuthatswana's fragmented land area, he said that "wicked non-consolidation has dealt a cruel and deadly blow to our independence. Just as it is born, our independence has already fallen into a fatal credibility gap—the territorial credibility gap, which bears the stamp 'Made in Pretoria'".

Chief Mangope also attacked the Bantu education system, called for correct relations with our former colonial master and suggested that Bophuthatswana's independence could be a stepping stone to a federation embracing all of South Africa.

Among those present to hear Chief Mangope's independence address were Chief Minister Matanzima, the Transkei Prime Minister, and the chief ministers of the Ciskei and Venda homelands. Chief Lennox Sebe, and Chief Patrick Mphahlele, Ciskei and Venda are expected to be the next homelands to become independent.

Like Transkei, the world regards Bophuthatswana as a "child of apartheid" and for that reason it is unlikely to receive any form of international recognition for years to come.

For a start, it has no seaboard of its own. Its seven pieces are entirely surrounded by South Africa except for one area which borders Botswana. All its trade and communications have to pass through the white republic.

At present over half the population lives permanently outside Bophuthatswana's borders and few have shown much interest in settling there. On the question of citizenship, Chief Mangope seems to have negotiated a slightly better deal than did Chief Matanzima in Transkei although the matter is still somewhat ambiguous. The Tswana will, for instance, retain residential and business rights in urban areas in South Africa, but as happened to the Xhosa-speakers when Transkei became independent, the Tswanas will find themselves automatically deprived of their South African citizenship and becoming Bophuthatswana citizens instead, whether they wish to or not.



Men of The Royal Regiment of Fusiliers sort out their kit after arriving in Bermuda.

Troops arrive in Bermuda with their own philosophy

A soldier finds himself far flung in the remnants of the Empire

From Michael Leapman, Hamilton, Bermuda, Dec 5

No matter how many obituaries are written on Britain's imperial role, there are bits of it that refuse to go away. There is always some part of the globe that calls for the presence of British armed might at a moment's notice to do a niggling bit of civil disorder.

Whether it is Aden, Northern Ireland, Cyprus, Anguilla, or, in this case, Bermuda, the chaos bring with them a refreshingly simple philosophy, articulated yesterday by Major John Varley of The Royal Regiment of Wales, soon after he and his men stepped from their aircraft. He said he "had heard the rioters and arsonists in Bermuda were rather young."

A little more about the disciplined body of men will be rather like having their parents start to discipline them," he declared.

Major Varley's 80 men, many themselves still in their teens, were the first to arrive last night. They had come from Belize where, for the moment, there is a slow season for peace-keeping. The other 180 men of The Royal Regiment of Fusiliers came in two aircraft from RAF, Fize Norton, Oxfordshire, a few hours later.

It was a deeply impressive arrival, even if the sense of colonial grandeur was diminished by British troops having to fly into an American naval air base, the only suitable military facility on the island. The chubby and cheer-

ful base information officer, called with little warning from a relaxing day by the pool, fussed about in his Bermuda shorts, organizing emergency arrangements for the troops, a soft drink for his Nato allies.

For Commander David Aldrich, a naval officer who is the senior British serviceman in Bermuda, it was also a rare weekend visit. Usually, with only 10 men under his command, he can count on untroubled duty hours.

But this was an emergency as was indicated by the purposeful way in which the fusiliers trotted smartly off the aircraft into the battery night, setting their faces that little more firmly when they came within range of the television cameras. They looked like a football team coming on to the field for a cup tie except that they wore camouflaged battle-dress and black berets with red and white plumes they call backles, earned by defeating the French at St Lucia in 1778.

All this intrigued the American correspondents who are reporting this skirmish in as large numbers as the British. Most of all they took to Lieutenant-Colonel David Betters, commander of the fusiliers, whom they saw as an archetypal British officer from the best kind of war films.

Indeed, with his lean, spare appearance, his clipped accent and, most of all, his neat military moustache, he was suspected that he was chosen for this mission as much for his bearing as for his undoubted military skills.

Although not fully briefed

on the role of his men, he said he assumed, on the basis of his experience in Northern Ireland (seven tours) and other trouble spots, that this was another sort of meat-for-the-fur situation.

The troops would take their cue from local police and politicians and use only the level of force the situation demanded. He exuded confidence, competence and calm.

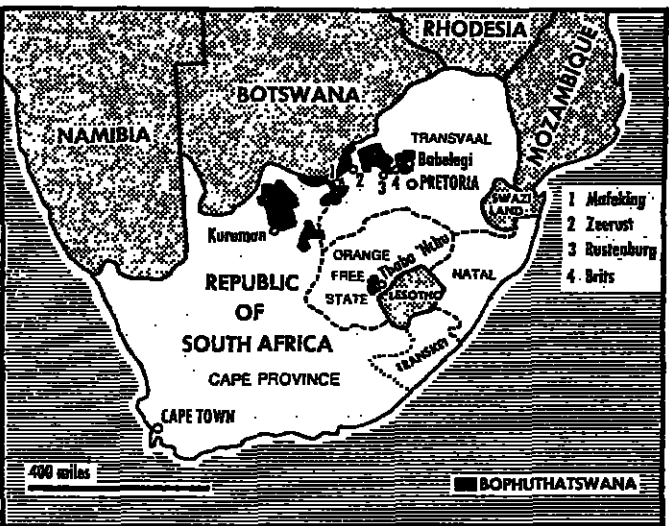
While the commander went off for high-level talks, his men climbed into pink school buses and headed for Warwick Camp, where most of them will be billeted. The Bermuda Regiment, who are normally there, have been moved into a hotel, which was closed to tourists on Friday after a fatal fire.

The British forces have brought with them all they need, from their own Land Rovers and rubber bullets to a public relations man flown out specially from the Defence Ministry. It will be something of a let down if they are required to do nothing but sit on the beach, deterring further disturbances by their mere presence. Last night's lack of serious incidents suggests this could happen.

Ideally, while no one was untroubled enough to admit it, a stay of about a fortnight would be most convenient. This would get the men home in time for Christmas, but would mean they missed a stint of London fire-fighting due to start on December 20.

For a soldier, even for a soldier of a declining imperial power, life is full of surprises.

Leading article, page 15



S African church 'persecuted'

Johannesburg, Dec 5.—The Anglican Bishop of Johannesburg, Dr Timothy Bavin, today accused the South African Government of persecuting the Church.

The Bishop made the accusation in a statement on the arrest last week of two Anglican priests, the Rev Geoffrey Moselane and the Rev Stephen Mosele.

The arrests followed the announcement on Friday of an inquest verdict clearing the South African security police of blame for the death in prison of Steve Biko, the black activist.

In his statement, the Bishop referred to the Government's landslide victory in the general election on November 30. He said: "It is hard not to react with anger, hatred, bitterness and despair when the first action of a newly-elected government is to persecute the Church of God."

But the Christian may not give into these feelings and his prayer or concern will be not only for those who are being detained, together with their families, but also for the souls of those who wield power without respect for God and regard for common human decency."—Reuter.

Shah begins a state visit to Oman

Muscat, Dec 5.—The Shah of Iran arrived here today on his first visit to Oman.

The Shah, who sent troops to help Oman suppress a left-wing rebellion in southern Dhofar province, was greeted by Sultan Qaboos bin Said at the start of a four-day state visit. Omani officials said formal talks between the two leaders were not likely to be held until Wednesday. Tomorrow they will visit Salalah, capital of Dhofar province.

Although the 10-year insurgency was officially proclaimed over about two years ago, Iran still maintains fully staffed brigade headquarters in the province and could quickly send reinforcements.

With the Sultan's forces now firmly in control of the province, the Dhofar situation is not expected to figure prominently in talks between the two leaders. They are more likely to be concerned about the situation in the Horn of Africa.—Reuter.

Murderer is beheaded

Amman, Dec 5.—A Saudi Arabian was beheaded by the sword in the main square of Jiddah today after being convicted of killing six people, Riyadh radio reported.

Hassan Muhammad al-Hassani shot six people dead last Friday, including his mother, and wounded five neighbours, the radio said.—Reuter.

Ten die in attacks by Rhodesia guerrillas

From Our Correspondent, Salisbury, Dec 5

A white farmer has been murdered by guerrillas in the Cashel district of Eastern Rhodesia. He was Mr Johannes van Marneville, a 40-year-old father of three.

His death brings to 115 the number of white civilians killed by guerrillas during the five-year civil war. More than 1,200 black civilians have died in the same period.

Combined operations headquarters also announced that nine black, including a teen-ager, his two wives and his daughter, had been murdered by guerrillas who entered south-western Rhodesia from Botswana. Guerrillas also launched an attack on a farm in the Wedza district halfway between Salisbury and Umtali, but were driven off when the occupants opened fire on them.

A spokesman for Mr Joshua Nkomo, co-leader of the Patriotic Front, today denied reports here that moves were being made to persuade him to break with Mr Robert Mugabe, the other co-leader, and return to Salisbury to take part in the internal settlement negotiations, which are due to resume on Friday.

Mr Willie Musarurwa, the Nkomo faction publicity secretary, reiterated Mr Nkomo's determination to take Rhodesia by force.

Salisbury, Dec 5.—A black policeman who ran amuck in a black township of Bulawayo last night shot 13 people dead and wounded 16 others before being killed by his colleagues, a police spokesman said today.

Five children were among the victims of the policeman, who was not immediately identified. Our Defence Correspondent writes: "Important changes in Rhodesian policy towards Africans will be required by the Rev Ndabengiso Sithole, the Rhodesian nationalist leader, as test of the sincerity of Mr Smith, the Prime Minister, in proposing adult suffrage."

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"I don't know if he is sincere or not sincere. We are prepared to test him." Mr Sithole said at a news conference in London yesterday. We can only do this by making the claims of the African people as firmly as possible."

Mr Sithole, who discussed his plans with Dr Owen, the Foreign Secretary, when they met on Sunday, was at the Foreign Office again yesterday and will see Lord Carver, the British Resident Commissioner, tomorrow.

The test would be if Mr Smith lifted the ban on political parties, released political prisoners, improved conditions in the so-called protected villages, ended the ban on African literary works and granted an amnesty to exiles, Mr Sithole said.

Mr Sithole said he was not laying down conditions, but wanted to find out what Mr Smith had in mind by adult suffrage and safeguarding the white population. A veto of the minority over the majority was not acceptable. The discussions must be in the framework of the Anglo-American proposal.

Dar es Salaam: The Patriotic Front today attacked as "blood-thirsty and Machiavellian" Dr Owen's remark that the recent Rhodesian raid into Mozambique might help achieve an overall settlement.

The criticism was carried by the official Tanzania news agency and referred to the Foreign Secretary's comment that the raid "might show the Patriotic Front, and this may have some advantages in getting overall compromise, that the Rhodesian defence force is simply not on its back."

New York: Mozambique has appealed in a letter to Dr Waldheim, the United Nations Secretary-General, for urgent humanitarian aid for Rhodesian refugees affected by what is termed "murderous attacks" within Mozambique by Rhodesian forces.—Reuter.

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MPs may vote on colonial death penalty

By Hugh Noyes, Parliamentary Correspondent, Westminster

In the aftermath of the executions in Bermuda last week the House of Commons may be given the opportunity to decide whether colonial territories should still retain the death penalty when capital punishment has been abolished in Britain.

Dr Owen, the Foreign and Commonwealth Secretary, indicated this to MPs yesterday when he replied to strong Labour backbench criticism of the failure to revoke the two Bermudian sentences in the island on Friday.

Dr Owen agreed that the present position left the British Government in a serious dilemma and that this might have to be considered by the House.

There were other colonial territories besides Bermuda which might not reach independence for many years.

Any change in the present arrangements would require legislation, but he suggested that the House might consider the whole question of the death penalty in the colonial territories in the light of the views of the House, he said.

From the Liberal benches, Mr Thorpe agreed that the criminal code and penalties inflicted in those territories should correspond with the views of the House, Dr Owen pointed out that in 1965 and 1970 the territories were asked whether they wished to retain the death penalty. Several did so.

Dr Owen added that he was a convinced abolitionist but that having satisfied himself that there was no miscarriage of justice he had no alternative but to advise the Queen not to interfere in the executions last week.

He felt that the best way out of the dilemma would be for the dependent territories to reflect again on the decision taken in the Commons and to ask themselves whether they should not voluntarily change their legislation to bring it into line with the legislation in this country.

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Stones thrown at Frasers in election tour

Melbourne, Dec 5.—Mr Fraser, the Australian Prime Minister, and his wife, were pelted with stones during an election rally here tonight.

Mr Fraser was also hit on the head by a brick thrown at him by a woman who was walking from the rally. It was the second time in three days that Mr Fraser had encountered violence in his election campaign.

On Saturday he and his wife were pelted with eggs and hit with placards in Sydney.—AP.

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West Bank mayors criticize Mr Sadat

From Edward Mortimer, Ramallah, Dec 5

A memorandum criticizing President Sadat's visit to Israel and expressing full support for the Palestine Liberation Organization (PLO) has been distributed to all foreign consulates in Jerusalem in the past few days. It is signed by 18 mayors and two deputy mayors of towns in the occupied West Bank and some dozens of "notables" and associations.

Of the mayors of the main towns in the West Bank only Mr Elias Freij, the mayor of Bethlehem, has not signed the memorandum though his deputy has.

The mayors, who have been frequently mentioned in recent months as possible representatives of the Palestinians at the Geneva peace conference, insist in the memorandum that they will not go there as substitutes for the PLO, and declare themselves "against any voice or anybody who is planning to find a new leadership to replace the PLO."

Mr Karim Khalaf, mayor of Ramallah and one of the main organizers of the memorandum, told me today that he personally would not go to Geneva even if the PLO asked him to. "I am not the representative of the PLO. The PLO is our representative," he said.

Mr Khalaf also accused President Sadat of "playing a game with the United States against the PLO by creating a new leadership to replace it."

But some other signatories of the memorandum take a more cautious view. For instance, Mr Fahad Qawasmeh, the mayor of Hebron, told me he thought Mr Sadat had forgotten to mention the PLO in his speech to the Knesset.

Mr Qawasmeh gave several reasons for opposing President Sadat's visit, but went on to admit that it had also brought some benefits. "No one can say in the future that the Arabs do not want peace," he said.

Nothing more could now be asked of the Arabs, and therefore President Carter would have more power to put pressure on Israel.

It was natural, Mr Qawasmeh added, that Syria and the PLO should "refuse the visit," but they won't refuse the result if he can get a good result.

He even thought that the criticisms from other Arab states could help Mr Sadat to get results, by putting extra

pressure on the Americans and Israelis to show that the visit was a success. "If Sadat can succeed, all of us will be with him."

In that at least, almost everyone on the West Bank would agree. While Mr Khalaf claims that 98 per cent of the population support the PLO, a more neutral observer suggests that 80 per cent of them support President Sadat.

Mr Khalaf's claim is certainly exaggerated. The PLO's popularity has declined from the peak it reached a year or two ago, partly because it has failed to achieve any concrete results and partly because its leadership seems unable to decide on a clear political line. People criticize, for instance, the fact that Mr Yassir Arafat, the PLO leader, at first appeared to support President Sadat's initiative but later condemned it.

The great and unanimous desire on the West Bank is to be rid of the Israeli occupation. All of them would desperately like to see Mr Sadat's initiative in achieving the kind of peace he described in his speech to the Knesset, with full Israeli withdrawal from all the occupied territories, including Jerusalem, and recognition of the Palestinians' right to an independent state.

But support for Mr Sadat is clearly conditional on his achieving something for the Palestinians: if he fails to obtain Israeli withdrawal, or settles for a separate Egyptian peace, there will be bitter disillusionment. And support for him is not yet incompatible with support for the PLO.

In fact, most people in the area would like to see the PLO and Mr Sadat reconciled, and many are apprehensive that the PLO is getting pushed into an extreme position and is in danger of excluding itself from any settlement that is reached.

Mr Qawasmeh, for instance, says that accusations against Mr Sadat serve no purpose. "We should go back to Arab unity," he said. "If Saudi Arabia and the Gulf states, he thinks, should take the initiative in calling a new summit to avoid the division of the Arab world."

Today, Mr Begin will be meeting MPs who are sympathetic to Israel, and later on will see Mr William Whitelaw, the deputy Opposition leader. He will be leaving Britain tomorrow.

Arrest move fails: An attempt by the National Front to have Mr Begin arrested for the murder of two British soldiers in Palestine in 1947 failed yesterday.

An application for a warrant for his arrest was turned down by a magistrate sitting in chambers in Bristol. But Mr James Sawyer, a National Front member who sought the application, said he would be giving up. He would seek legal advice about his next move.

Reception criticized: An Israeli newspaper has sharply criticized the official reception extended to Mr Begin on his arrival in Britain on Friday, saying it bordered on the vulgar.

Our Tel Aviv Correspondent writes: "A Foreign Ministry source in Jerusalem said today that Israel's delegation to the Cairo talks will not be empowered to negotiate precise peace borders or military issues but only to establish the nature of an overall peace settlement. The delegation will not include a military man."

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World chess adjourned

Belgrade, Dec 5.—Boris Spassky, the former Soviet world champion, and Viktor Korchnoi, the expatriate Russian grandmaster, today adjourned after five hours' play the sixth game of their match to choose a challenger to Anatoly Karpov, the world champion.

Spassky, playing white, sealed his forty-first move. Play is due to resume tomorrow.

The two players appeared in even position after brilliant play. Korchnoi leads 31 points to 15 in the 20-game contest.—UPI and Agence France-Press.

Amin sons on Libyan trip

From Our Correspondent, Nairobi, Dec 5

President Amin of Uganda left Entebbe today for Libya at the invitation of Colonel Gaddafi. Uganda radio quoted President Amin as saying he would discuss the Middle East and cooperation between Uganda and Libya.

He was accompanied by ministers, Army officers, journalists and two of his sons, Moses and Mwanga.

The radio gave no indication of how long he planned to stay in Libya. Earlier he had sent a message to the Libyan leader appealing to the Arab states to create a united front of "progressive Arab forces".

New York! New York!

Performances daily at 13.15.

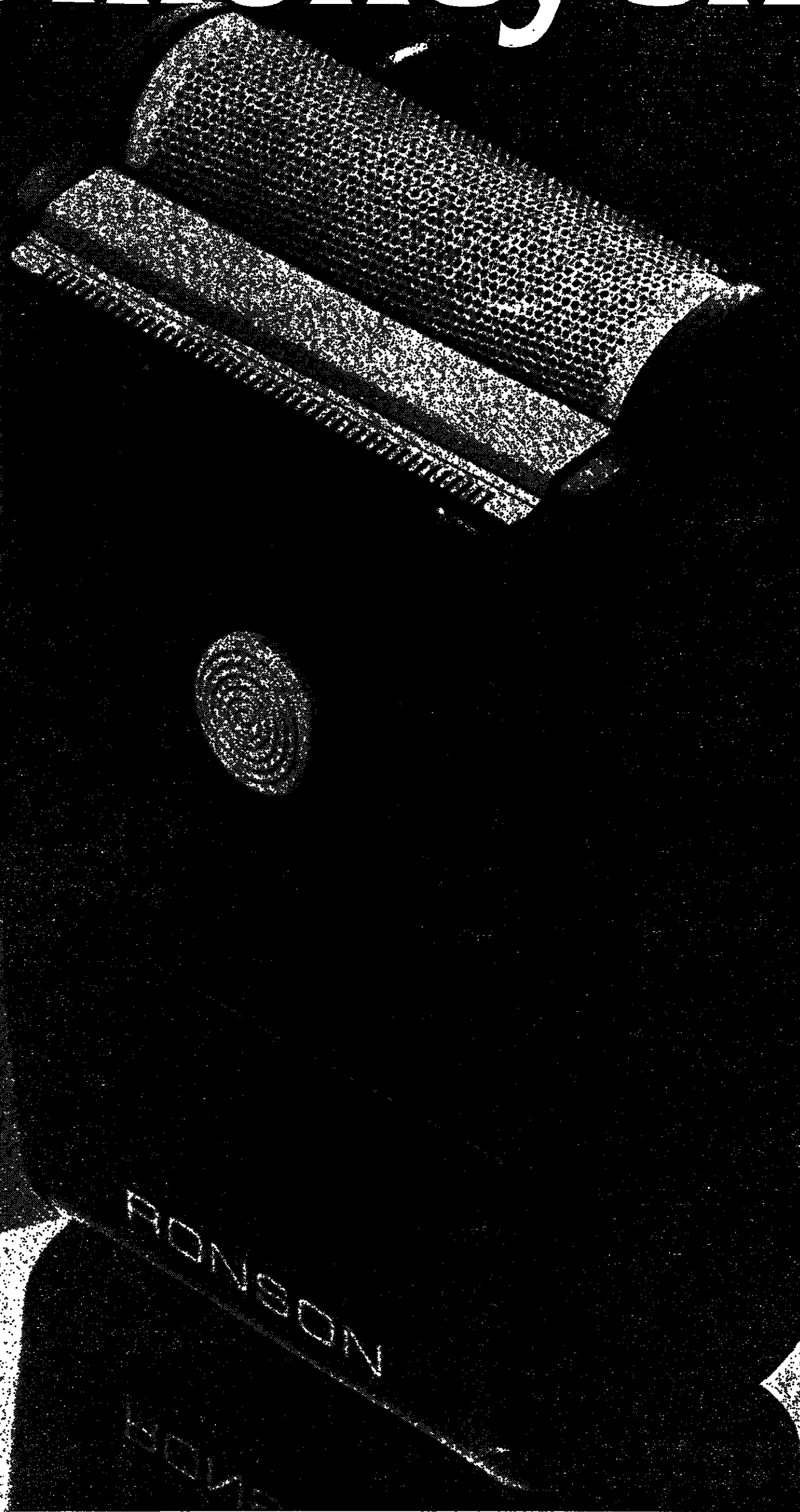
Iran Air fly daily* to New York
leaving at 13.15 from Heathrow.

All by Jumbo. Either our latest
plane the 747-200B; or the 747SP,
the 'Special Performer'.

And arriving at JFK's speedy
'Worldport' terminal.

So call your travel agent for
details and book your seats now.

The money shaver.



Pictured here is the Ronson 75 Rechargeable shaver.

It gives you a clean, comfortable, really close shave, anywhere in the world, without the bother of plugs or wires.

But unlike other rechargeables, it's managed to shave a fair bit of money off its price.

In fact, you can buy a Ronson Rechargeable for about the same price as some mains shavers.

Which makes it quite a bargain.

It's fitted with the same foil-head system common to all Ronson shavers, which is recognised as the most efficient, most comfortable way to shave.

With an even more powerful motor than our mains shavers, it makes short work of even the toughest beard.

It's compact. And because it works free of a lead, you don't need to find a shaver point.

With the Ronson Rechargeable, you get as good a shave in your car, on a train or in the office, as you would at home.

And it doesn't cost you any more than some mains shavers.

At Ronson, we make a whole range of shavers. All with our famous foil head.

As well as the standard and luxury rechargeables, we have three mains shavers and a battery model.

Why not treat yourself to one?

Or better still, start dropping hints about Christmas to your wife.

The Ronson 75.
The rechargeable shaver at a mains shaver price.

Bernard Levin

Shame: why did Cheekykaffir have to die and spoil the fun?

I reported here a couple of months ago on the case of John Cheekykaffir, the South African black leader who was just about to be prosecuted for damaging several valuable police truncheons (by striking them repeatedly with various tender parts of his body) when he died, much to the regret of the policemen wielding the truncheons who, in the words of the Minister of Justice, Mr Sijmbock-Goring: "Hadden't had so much fun since they burnt down the Koffiefontein synagogue".

At the time I wrote, my readers may recall, the inquest had not yet been held, and Mr Sijmbock-Goring's disclosure of his findings, to the effect that Cheekykaffir had committed suicide while the balance of his mind, and indeed of his skull, kidneys and genitals, was disturbed, was therefore, as he was careful to point out, only provisional. "When", he said, "the inquest is finally held—and the Prime Minister (Mr Van der Stoep) and I are working assiduously to find some means of avoiding it altogether—fuller details will be made available, including the magistrate's findings, and the policemen who killed him should be compensated by the surviving members of his family (we're working on the problem of their survival, of course) for the distress caused to them by Cheekykaffir's selfish dying just when they had found a lovely new way of killing him".

The inquest was, as readers will know, concluded last week, and the magistrate, a Mr Mosley Bann-Hack, recorded his findings thus:

"I'm very glad about the wonderful election result here. Many of us South Africans are getting pretty sick of criticism from the rest of the world. I tell you, man, why don't they mind their own business, eh? I mean, they're always complaining about how we don't treat the blacks so good here. Now you and I know that if I seat a couple of big policemen out into the street right now to ask a passing black man how he liked it here, they would come back five minutes later and report that he had said he liked it fine. Anyway, the bastards breed like rabbits. And another thing, man. How would you like one of them marrying your daughter, eh? And don't tell me that's not what they are after—I know better. Don't give me that Christianity stuff, either—what was the Pope's name before he changed it to Montini, eh? Mendelssohn, that's what you can always tell by the frizzy hair. Case dismissed."

Mr Sijmbock-Goring, the Minister of Justice, said after the verdict that he was very glad to have been vindicated in so striking a manner, particularly since the policemen who had actually killed Cheekykaffir had been vindicated in an even more striking manner.

"While I'm on the subject", he added, "I want to clear up a misunderstanding. It has been widely reported that when I heard of Cheekykaffir's death I said 'It leaves me cold'. I would like to make it clear that I have been misrepresented over this, though I think it was the result of a genuine mis-hearing. What

sounded like 'It leaves me cold', was actually 'I am deeply, nay profoundly distressed to hear of the death of this man in captivity. Of course, a full and searching inquiry must be carried out at once, and I shall leave no stone unturned to see that, if anything improper occurred, those responsible will be brought to book. We white South Africans have our differences with our black brethren—the bastards breed like rabbits, for a start—but I would never condone any ill-treatment of them. In fact, I'll laugh—and indeed I regard them as my own children, which is hardly surprising, since several of them are. But what I really want to stress is that it is the duty of every decent South African to vote Nationalist in the election'."

That, it was generally agreed, cleared the matter up completely. At least, it was agreed among all right-thinking persons, but the depraved and revolting Donald Woods (editor of the *no less depraved and revolting Daily Dispatch*), was, naturally, not content with so comprehensive an explanation, and went on inconveniently revealing that the Minister of Justice was a liar and an accessory after the fact, until he had to be "banned". (This, as the Minister explained, was only a temporary measure; the banning order would be lifted as soon as Mr Woods's suicide had been arranged by the police.)

Another insatiable critic was the horrible Jewish lawyer, Mr Sydney Keenridge, who appeared for the Cheekykaffir family at the inquest, even though it had been carefully

explained to him in advance that in the matter of Cheekykaffir's death no blame should be placed on anyone, except of course the dead man himself, his family and Donald Woods. Alas, some people are never satisfied, and Keenridge insisted on cross-examining various witnesses at the inquest, including the chief medical witness for the state, Dr George Auschwitz-Synges.

Dr Auschwitz-Synges, who agreed that he had been affectionately known since his student days as the Hypocrite Oaf, said that he had been called to Cheekykaffir's cell in the middle of the night when he found him lying on the floor in a pool of blood, with three policemen sitting on him. Examination revealed that he had a ruptured spleen, fire-brother ribs, a punctured ear-drum, extensive brain-damage, bullet-holes in his knees and a nasty cold. Asked what treatment he had given, Dr Auschwitz-Synges the dead man, he had suggested a course of orange juice and "I've no idea". And what about the rest of his condition? "Oh", said the doctor, "I gave him a bang over the head to teach the bugger to be so cheeky another time". Roars of applause greeted this reply, which left the loathsome Keenridge, as may be imagined, entirely nonplussed.

Matters hardly went better for him when he was asked to examine the policemen who had actually killed Cheekykaffir. He began by asking the magistrate to order the attendance, as witnesses, of the Minister of Justice, Mr Sijmbock-Goring, and of the head of the South African police services, General Jack Bootz. The

applications were refused, as was a similar demand for the production of the local police chief, Colonel Proudly-Swastika. "These are very important and busy men", said the magistrate, "and anyway, what would be the point of calling them? All the necessary lies will be told by the doctors, the policemen and me—what more do you want?" But, protested the odious Keenridge, at the very least Colonel Proudly-Swastika should be called, as there was reason to suppose that it was he who had held Cheekykaffir's arms while he was being clubbed. "Well, Good God, man", exploded the magistrate, "somebody had to hold him, surely?"

After this, the policemen themselves had little difficulty in countering Keenridge's ridiculous questions. Asked how their fingerprints came to be on the handle of the truncheons, to the other end of which bits of Mr Cheekykaffir's brain were adhering, one of them replied "I've no idea". The laughter that greeted this reply had hardly died away when the other called it by adding "Neither have I". Further questioning was then stopped by the magistrate, who said that asking the witnesses just what had happened while they held Cheekykaffir in their custody was completely irrelevant to the case. "I must remind counsel", he said, "that we are here for the purpose of ascertaining the maximum vote for the Nationalists in the election". Then he delivered his findings, as quoted above, and the case concluded. So did Cheekykaffir, come to think of it.

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How the Brass-hats fought their way into a retreat

In May 1975 the General Staff announced its plans for the most fundamental reorganisation of the Army since the last war, or ever perhaps this century. Now after 2½ years of trials and agonising reappraisal, a number of soldiers are beginning to wonder if it was not too fundamental for it ever to be in practice. A number of changes have already been made to the original concept and one or two more may now be on the way.

Restructuring did not spring from a deeply felt need within the Army itself. It was largely an expedient forced upon it by the 1974-75 Defence Review, which resulted in a 5,000-man cut in manpower. (A further 1,000 cut was ordered later to make up a total loss of 16,000 soldiers before April 1979.) But the General Staff tried to make a virtue out of necessity and arrived at a plan which, it claimed, improved the fighting capability of the Army anyway.

Although its overall size would remain more or less the same at around 85,000, the greatest impact would be felt in the British Army of the Rhine. Instead of three large divisions and two artillery brigades in the 1st British Army, there would be four 8,500 in each in peacetime, a new artillery division and an infantry formation called the 5th Field Force—which would be a "Logistics Support Command, assigned to guard the rear in wartime. Specialist functions like logistics would be centralized and, more dramatically, all brigades would be abolished, saving manpower on headquarters staffs.

The number of armoured reconnaissance regiments would go up, but the number of tank regiments and artillery regiments would be cut. The total force of tanks in 1st Corps would rise significantly and the number of guns would stay more or less the same. This sounds confusing, but all helps to explain two of the advantages which the General Staff saw in the plan. One was a 13 per cent increase in the ratio of weapons to men, while another was a streamlining of the chain of command with quicker decision-making in time of war.

It was the second of these supposed advantages which proved illusory. A 1975 exercise involving BAOR's 2nd Division, first to be restructured, turned out to be something of a disaster. Without the span of command for a divisional headquarters was found to be too great. It was too great given the Army's existing communications systems anyway, which could not cope with the workload. So each division was given two task forces, each commanded by a brigadier, to share the division's five battle groups between them. BAOR's 2nd Division, which had a staff of only 700 instead of 200 in the old brigades, but which was argued that conceptually there was not very much difference and that one part of the restructing scheme had in effect been scrapped.

Now the other advantage, the greater concentration of firepower in BAOR's heavyweights, is also being questioned. 1st Corps, which includes some 49,000 of BAOR's 55,000 men, has simply not enough men left to do all the work. It is as if a quart has been squeezed into a pint pot. According to one official assessment an extra 2,500 men will be needed to put things right—although no figure has yet been agreed by the Ministry of Defence. The result is it been decided how to find the extra troops.

There are three reasons for

the overstretch which is now disconcerting commanders in BAOR. One is simply that regiments have been slimmered down to the bone by the process of restructuring. Another is that the new task forces have needed manpower which was not originally allowed for. A third is that new equipment coming into service is increasingly sophisticated, with the result that men are needed to go on more and longer courses to master the complexities—so there are always a number of soldiers away.

In wartime, ironically, the overstretch would be less telling. Regiments would move out of their camps to the battlefield, discarding the administrative functions associated with running a garrison, with its wives and children in peacetime. But if BAOR is to help to provide an effective deterrent, war will not come anyway. So units—particularly the equipment-intensive regiments of the Royal Armoured Corps, Royal Artillery, Royal Engineers, Royal Signals, and to some extent the Royal Electrical and Mechanical Engineers workshops—each need about 30 more men to shoulder the burden.

In the long term the Army would like to receive ministerial blessing for an increase in its overall size by, say, 2,500. In the short term it will probably have to scrape the extra soldiers from units elsewhere—no man here, one man there, and so on—helped perhaps by a hoped-for reduction in the number of troops in Northern Ireland. But something will have to be done.

If BAOR officers sound less enthusiastic about the restructuring than they did a year or two ago, it must be said that they are entirely disenchanted. One effect of the changes has been to increase the number of company-sized combat teams—the basic "pawns" of the modern battlefield—from 72 to 92. Assuming that the four new divisions can be reinforced in time to their wartime strength of nearly 14,000, they promise to be effective fighting formations. More over and more remote communications problems, it is hoped will disappear with improved systems due to be introduced in the 1980s.

But there will certainly be relief in BAOR if the General Staff has got it right. Not only has restructuring caused operational problems, but it has brought on severe headaches for administrators in the Rheinholden headquarters. By next April the job of caring out four divisions from the existing three will have meant uprooting 23 major and 40 minor units, involving 18,000 soldiers and 23,000 dependents. Naafi clubs and other social centres suddenly seem to be not quite where they are most wanted.

Not so long ago BAOR prides itself on being the best equipped European army in NATO. There is an uncomfortable feeling that this position has passed to the West Germans. Meanwhile, accommodation officers, notwithstanding restructuring, are struggling to modernize soldiers' barracks and working quarters against a background of three budgetary cuts during the past three years. Two infantry battalions have even had to make do without garages for their armoured personnel carriers.

The final irony is that if and when BAOR gets the extra men that it needs, it will end up slightly larger than it was before—though not significantly so. This is not as absurd as it sounds, but it illustrates the difficulty of explaining to soldiers the reason why.

Henry Stanhope
Defence Correspondent

James Reston interviews President Carter at the end of his first year in office

Why the Carter charisma is wearing thin

Washington. President Carter is coming down to the end of 1977 in a philosophical mood—surprised by the endless complexities of foreign and domestic affairs, disappointed by the progress made to many of his national programmes, but confident that he has established a solid foundation for substantial progress at home and abroad in 1978.

In an interview with *The New York Times* in the Oval Office, he talked about the Congress, the press, the influence of religion on history, his decline in the popularity polls, and why even his most loyal supporters seem vaguely puzzled and troubled by his leadership at the end of the year.

Looking back on 1977, he said, there was obviously a problem. "This country has been through such an ordeal in the last five or 10 years", he said, "that it is still a healing stage—Vietnam, CIA, Watergate. It really shook the American people and their confidence in government. I don't think there will be a complete restoration of the confidence until proof is not only complete but extended over a period of time. And I am trying to do the best I can to restore that confidence."

"I think we just have to go through a long trial period in the minds of the American people before they can accept the fact that they can trust the American government again."

The President, who looked a little weary but sounded confident, also made these points:

● Foreign Affairs: He said he expected real progress in 1978.

"I think we will have a Salt II agreement. I think we will have a comprehensive test ban. I think we will have an agreement on the Indian Ocean. We will have major progress towards peace in the Middle East. I think we have a good chance the Rhodesian and Namibian questions will be resolved. I think the Panama Canal treaty will be ratified."

● Domestic Affairs: He was more cautious in his predictions for 1978 about the home front.

"We will have completed the work. I believe, on an energy package. We will have good progress made on welfare reform. We will have the business community with a much clearer concept of what our economic goals are. We will have continued good progress in recovery from the 1974-75 recession. Our economic growth won't be at quite as high a rate as we have now, but it will be one of the best in the world. So I have a good feeling about 1978."

● Personal affairs: "I feel at ease. I feel good. I pace myself very carefully. I don't work any harder as President. I don't worry any more as President than I did as governor or as a candidate for President. I enjoy the job, and (in a reference to his friend, Charles Kirbo's observation that the President looked tired and older the other day) I think anybody ages, including Mr Kirbo. I doubt if I have aged any more than he has."

Carter was asked to explain the paradox that even the people who voted for him seem vaguely puzzled by his leadership at the end of the year:



Mr Carter: Little hostility but little enthusiasm either.

No great hostility in the country, but no great enthusiasm either. This was clearly not his favourite subject, but he replied, as if the question really did not have much to do with him personally, and also as if maybe no great hostility and no great enthusiasm might be precisely what the country needed after all the presidential hoopla of recent years.

There were a number of reasons for this lack of popular excitement and for his decline in the popularity polls, which he made clear, did not surprise him. He was new on the national scene, never having served in the federal government until he came into the White House. He did not have a congressional track-record, he added, was not well-known to the news media figures, and had not met most world political leaders until this year. But these, he insisted, were

not the main reasons for the doubts and confusions in the public mind. In the past, he said, the basic question in people's minds was the relationship between the United States and the Soviet Union, and a President could excite the public or please the public or have the public concerned simply because of his demagoguery towards the Soviet Union. The President emphasized two points about this: he had brought a great many more international problems to the fore—the problems of human rights, racial tensions in Africa, economic conflicts with Japan and other countries, political and philosophical struggles in the Middle East, and many neglected controversies in the Western Hemisphere with Canada, Mexico, Panama and Cuba.

That was his first point. His second was that while all these questions had been troubling Washington for many years before he came here, many of them had been ignored or handled privately. The difference now, he suggested, was that he had brought them all simultaneously closer to the spotlight, and had invited public debate. In his opinion, this debate on such complicated issues contributed to the public confusion, but he defended his public diplomacy while conceding that it undoubtedly reduced his popularity.

When he was asked whether the press had misjudged him in the presidential campaign, thinking that he would concentrate on domestic rather than on foreign affairs, he replied that he thought he had a fairly well balanced commitment of his time, and after all looking back over 1977 some very important things had been done on the national front. For example:

● A \$21,000 economic stimulus package containing substantial tax reductions, public works projects and public service jobs.

● A comprehensive welfare reform programme proposal.

● A national energy plan.

● The largest farm Bill in history.

● Refinancing of a social security system that was on the verge of bankruptcy. He added: "I doubt that any Administration has done more with so many tough, complex, long-standing domestic questions in its first year."

The President has two habits that are rather unusual in Washington: first, of thinking before he speaks, and second, of speaking in sentences. He was asked, therefore, how he happened to talk publicly for the first time by an American official, about a Palestinian demand that West Bank be given to the Arabs, or was it just down-home talk?

The President replied: "It

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The train now launching at Platform . . .

It seemed entirely appropriate that Edward Heath and I should be on board a special blue and white supertrain yesterday as he set off on his pre-Christmas whistle-stop tour to launch his latest book, *Travels*.

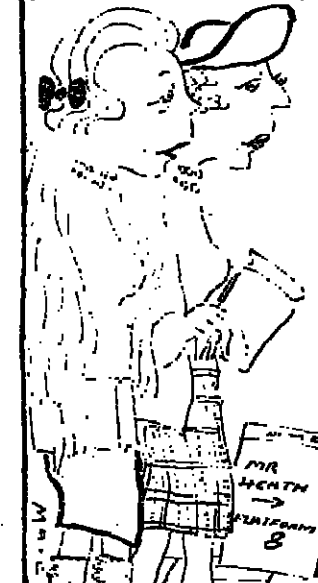
Platform 8 at Paddington, according to one cynical reporter from CHS, held all the razzmatazz of the launching of an American presidential election campaign. Mr Heath was later in exp this remark when he told me: "We could not have done better had we called a general election."

No one in his entourage would say how much it had cost to hire the train for the week. But a train from British Rail was safe to say that the diary wanted to rent the train, with three cars of rolling stock, it would cost £10,000 for two weeks including a rolled mileage of 1,000 taking in 10 venues. In one week, our former leader will visit 12 venues and, additionally, his train has five cars.

After Lord Longford, chairman of Selwick and Jackson, who publish *Travels*, a senior Tory whip, who was making inquiries about hiring the train on behalf of Mrs Thatcher, and other dignitaries had left the hospitality lounge, the super-train pulled out and arrived at Reading, seven minutes early.

Mr Heath looked fit and sunnied in a quiet ensemble of blues. "Yes, I feel well"

On the other hand, as he sat still in power, there's probably a real crick in



he said, "though for some reason people seem to resent it."

Before we moved on to Bristol, the London-bound express from the West Country pulled in at the adjacent platform. From a first-class window, Angus Maude and Michael Heseltine, two of Mrs Thatcher's chief lieutenants, peered out on the crowds on platform seven. The message on the side of Mr Heath's train was two-feet high and unmistakable. The high Tory pair looked pained.

Hansard comedy of error

Last Friday's issue of *Hansard* containing the Official Report of the late night proceedings during Wednesday's sitting of the House of Commons contained one of those priceless typographical errors which occur only rarely in this outstandingly accurate publication.

It reports Reginald Freeson, Minister for Housing and Construction, as saying: "Tonight we are concerned with a draft EEC directive on . . ." Well, they say you can't gag *Hansard* and there has been many a time when MPs have complained that some of the draft directives on harmonization emanating from the EEC Commission are little else but daft.

The directive before the House on Wednesday night concerned the mutual recognition within the Community of the qualifications of architects. It has been hanging around since 1967 and MPs now seem agreed that the latest, much-revised version is not so daft as the original. Banks is pausing taking negotiations over the years.

The film of Ira Levin's book about Nazi rebirth, *The Boys from Brazil*, which is now before the cameras, has suddenly acquired a triple-deck academic look. Two of its leading actors, Lord Olivier and Gregory Peck, and its director, Franklin J. Schaffner, have been awarded doctorates in humane letters from the Franklin and Marshall College in Lancaster, Pennsylvania. Lord Olivier would not attend the ceremony as he was on location in Portugal. The honour was accepted for him by Stanley O'Toole, the producer of the film.

A nice young lady told me excitedly that she had met the head of Rolls-Royce. His name was Lord Denning. I scarcely had the heart to tell her that his lordship was Master of the Rolls.

Batsmen all

Sir Ian Bancroft, new head of the Home Civil Service is a very private fellow. His short, if distinguished, entry in *Who's Who* mentions no recreations. In fact, he is no mean table tennis player.

Every autumn, Whitehall's permanent secretaries spend a contemplative weekend together at the Civil Service College in Sunningdale Park. Sir Douglas Allen, the retiring Head of the Civil Service, could be seen belying his 60 years on the tennis courts. Sir Ian would take on Sir Leo Plafsky at ping pong.

Sir Leo, the tiger of the Department of Trade, is as ferocious with the bat as he is on paper despite losing the sight of one eye and carrying the ravages of the operating table. He was as pleased as punch when he defeated Sir Ian in the 1976 test result of the October 1977 battle bay to surface on the Whitehall grasspines.

The Lady Vanishes—by demand

For liberated women, some good news and some bad tidings. First, the Cantic Components, of Caepphilly, the building trade suppliers, have decided to kill off Cat Girl (on right), the fantastic lady who has spearheaded their publicity drive for their steel lintels. The *Diary* carried an item about her in July.

Cantic have received many complaints about their cartoon creation . . . vulgar, commercial trash that devalues the joy that lies in a true relationship with women. "Vulgar and unpleasant exploitation of sex."

Cantic's obituary for the distant past reads, in part: "We must acknowledge the real and genuine concern that many of our customers have for the boundaries of good taste."

Presumably, the lintels will from now on be sold on the basis of merit.

Now, the bad news for feminists. The regular page of these pin-up photographs in the *Diary* are newspapers. Yorkshire Miner, is to say, Arthur Scargill, president of the Yorkshire miners, defends the policy



in a letter to *Socialist Challenge*. Apparently, a Miss Jane Perrie of Sheffield accused him of being sexist.

The pin-up issue is, however, secondary to Mr Scargill's denial of Miss Perrie's allegation that he used the expression "there's a lovely bird in there," as he emerged from the Grimwicks strike HQ in October. He writes: "Anyone who knows me will know that the expression attributed to me is not one I would use."

With an air of finality, Mr Scargill says that some women are becoming paranoid about "something totally insignificant" when there are matters of great concern facing the working class movement.

Pack drill

Egon Ronay, having efficiently disposed of civilian catering, has turned his attentions to the military. These are his verdicts on the tinned, 24-hour, one-man combat ration packs which reflect the tastes of five Western nations:

Italian ravioli: tasteless. Baked beans: should be fed to the enemy. American frankfurters and beans: "If I were given them, I would become a conscientious objector."

Mr Ronay does not think much of British chocolate spread, but he finds our weak and kidney pudding "excellent, good and tender."

Le Monde
LA STAMPA
THE TIMES
DIE WELT

Europa

On the eve of a meeting of Community ministers on the question of monetary and economic union, David Blake explains why such a union is less an economic objective than a political paradox. M Alain Cotta, professor at the Dauphine University in Paris, separates theory from the political policies pursued and Natale Gilio recalls a fascinating incident in the negotiations which took place between Italy and the International Monetary Fund

Latecomer that has lingered

The idea that Europe should build an economic and monetary union, with a common currency for all the EEC member states, came late to the Community but it has exerted a strange fascination ever since. Strangely because the original reason given for it, that it was necessary to prevent an unravelling of the Community's Common Agricultural Policy, has been shown to be false; over the past eight years a complex but workable system has been developed to maintain the structure of the common policy towards farmers while at the same time developing means of protecting individual countries from the direct impact of parity changes on food prices.

It is made all the stranger by the fact that all efforts which have been made in the past within the Community to proceed towards some form of monetary integration have led to disaster. The monetary union of the early 1970s has degenerated into a Snake whose membership bears no relation to the list of members of the EEC.

The reasons for the failure of attempts to build a monetary union are clear. Inflation rates have differed widely in European countries since the beginning of the postwar period, and they show no signs of converging of their own accord. Consequently, the only way that a reasonable balance of competitiveness can be maintained is through a constant shift of parities. Devaluation of a cur-

rency may not provide a painless solution to the economic problems of states which are in payments deficit, but it does clearly often present itself as the only way of avoiding measures which would lead to a huge rise in unemployment.

Since the reasons for monetary union are so strong, the important question is why it continues to be tried, with the latest, and in some ways the most up to date, defence of the concept coming from the President of the European Commission, Mr Roy Jenkins.

Mr Jenkins's ideas, presented to a Florence audience in the Jean Monnet lecture, provide such a clear statement of the muddled thinking underlying much of the support for monetary union at the moment that they repay further study.

The first, and perhaps most important, misunderstanding, comes from the perennial European obsession with the role of the dollar as a reserve currency and the feeling that this gives the United States an unfair advantage in the world monetary system.

Copying America, either through a desire to emulate, or through an even more intense dislike which vents itself in a desire to outstrip American achievements, has long posed problems to clear thinking within the Community. The American example on the monetary front has caused both of these problems to the EEC.

Even supporters of monetary union admit that trade between continents or

regions is possible without too much trouble under a regime of floating rates, but they argue that within Europe this system poses insuperable difficulties. What they are actually doing in this case is confusing the problems caused by parity fluctuations with the things which make them inevitable.

For the fact is that the divergence between inflation rates between members of the EEC is far greater than that between some of the more successful members and nations outside, such as the United States, which have a good record of price stability. It may be true that the adoption of a single monetary system for the whole of Europe, complete with a European-wide monetary authority, would lead in time to inflation rates everywhere coming to the same level. This would happen, however, only at the expense of severe unemployment in those countries where inflation tends to be high.

As Mr Jenkins himself admits, much of the inflationary impulse within countries come from the struggle over income distribution, in which workers fight (usually unsuccessfully) to increase their share of the national cake at the expense of others. Curbing this pressure through tight monetary policy would certainly be a harsh way of reducing unemployment, though some would argue that the price would be worth paying. However, this viewpoint, with its acceptance of Mr Jenkins's statement that "the disciplines of monetary union will be more, not less demanding"

does not fit in with his other view—and the view of many who argue for monetary union—that it will somehow make it easier to deal with unemployment.

Having a common currency would make it no easier and no harder for Europe as a whole to run its economy at a higher level of demand. Since Mr Jenkins, who at other times seems to believe that tight monetary policies defeat inflation, becomes convinced of the need to take an expansionary stand when he turns to the problem of unemployment there seems no clear economic logic in his stance.

Indeed, at bottom the arguments for economic and monetary union have never really been about economics. They are about the fact that tying the currencies and economies of nine governments together would be possible only if an enormous convergence had already been established and if there were a willingness to make the further sacrifice of sovereignty which abandonment of their control over national currencies would entail.

Such a close union might well be in the interests of everyone in Europe; but it is more likely to be built by the slow and steady practice of working together in areas such as industrial policy, where the scope for gains is clear to everyone, than in the pursuit of some abstract notion of the way the world could be. No one solves problems by imagining how nice it would be if they ceased to exist.

D.B.

Many a slip on the road to Rome

It was not until Sunday, March 13, that Mr Alan Whitmore, head of the European department of the IMF, and his aides—Mr Peter Finch, Herr Albert Schmidt and Signor Umberto Dell'Anno—succeeded in completing the text of the letter of intent that the Italian Government was to sign to set the \$530m loan that had been asked for so long ago.

For the first time, after many months, Mr Whitmore felt relieved: at long last they had reached the end of negotiations that had been started a year previously, only to be interrupted a number of times and then resumed at the last moment when they appeared to have faded finally beyond recall. The troubled Italian political situation had only complicated matters. The Treasury Minister's chair was now occupied by Signor Gaetano Stamatii, in place of Signor Emilio Colombo.

After years of friendship the two cordially detested each other. Signor Stamatii, now released from a protective armour that he found too restrictive, accused Signor Colombo of having bequeathed him a ministry that was falling to pieces. Signor Colombo, from Strasbourg, where he was busy presiding over the European Parliament, replied that for 20 years Signor Stamatii had been one of the people most responsible for that ministry.

From the feud between the two, those working with them had also suffered. One especially was Signor Ferdinando Ventriglia, director general of the Treasury, whom Mr Whitmore had met in Paris in October 1976 with Signor Mario Ercolani, director general of the Bank of Italy.

He remembered with admiration their tenacity, and the skill with which they had defended the tax on foreign currency purchases, imposed to protect the lira against speculation. With their collaboration the first conditions for the letter of intent had been drafted: a reduction of at least 5,000,000 lire in the enlarged public sector deficit, and the revision of the machinery of the *scala mobile*—the threshold payments system.

At Rome he had found other negotiators such as Signor Vincenzo Milazzo, principal private secretary to the Prime Minister, Signor Andreotti and government auditor, and Signor Antonio Fazio, head of the research department of the Bank of Italy. With them he had started to unravel the tangled skein of Italian public finances. He had only seen the Treasury Minister twice—once on his arrival, and once one evening at dinner.

Mr Whitmore sat thinking about all this after he had finished dictating his notes. His long sojourn in Rome had brought at least one benefit. He had been able to see again such true friends as Signor Sergio Siglienti, with whom he had shared an apartment during their first years in Washington, and who had now become a senior manager in the Banca Commerciale Italiana.

Signor Umberto Dell'Anno broke in on his thoughts: "Perhaps we ought to redraft the letter of intent. I heard that it is unlikely the trade unions will accept a freeze on negotiations at company level, and the exclusion of indirect tax increases from the *scala mobile*." Mr Whitmore had looked at him amazed. "But the government, according to Signor Milazzo, has already heard the trade unions' views on this. Signor Milazzo never said anything about trade union opposition. Anyway, we shall give the text to the Bank of Italy tomorrow, and then we shall see."

On Monday morning the document, in English, arrived on the desk of the Governor of the Bank of Italy, Signor Baffi, who had been kept constantly informed by Signor Fazio, already knew its contents. It did not take him long, therefore, to summarize the main points with Signor Ercolani. He ordered the text to be translated into Italian, so that it could be given to Signor Stamatii on Tuesday evening on his return to Brussels.

Signor Stamatii did not take long to read it. The somewhat severe conditions seemed acceptable to him, in view of the gravity of the Italian situation. At last he could tell Signor Andreotti that the negotiations with the Monetary Fund had been concluded, and soon the loan, which was so necessary to give Italy new credibility internationally, would be available.

Signor Andreotti, who had been informed by Signor Milazzo, knew that the negotiations had been concluded, and was full of praise for the hard work done by the Treasury Minister. He asked him to give Mr Whitmore his best wishes and thanks for his collaboration, saying that he was "a good friend to Italy".

As soon as Signor Stamatii had left, Signor Andreotti sent for Signor Milazzo and his trusted economic adviser, Signor Luigi Cappugi. He wanted their assurance also that there would be no difficulties from the trade unions and the political parties regarding the conditions contained in the letter of intent. Signor Cappugi preferred to remain silent. Having been kept out of the negotiations, he did not consider he should offer an opinion. Signor Milazzo simply confirmed what Signor Stamatii had said. "But have the trade unions been advised?" Signor Andreotti asked. "I think so. All contact has been through Signor Evangelisti." But the President was not convinced. His political sixth sense told him to check.

The following evening at precisely 7.30 the director general of the Treasury went into the President's room on the first floor of Palazzo

Chigi. Signor Andreotti went straight to the point, asking for an expert opinion on the letter of intent. To his amazement Signor Ventriglia replied that he knew nothing of its contents. "The Treasury Minister decided not to keep me in the loop," Signor Andreotti rejoined. "He gave me the text yesterday evening. Would you mind looking at it, and telling me what you think?"

Signor Ventriglia read the letter of intent carefully, while Signor Andreotti signed a number of urgent papers. "Well, what do you think?" "In the main," Signor Ventriglia replied, "the letter reflects what Signor Ercolani and I discussed in Paris in October. But I am rather worried about the clauses concerning threshold payments. It is unlikely the unions will want to accept them."

So Signor Andreotti's sixth sense had not misled him. "In your opinion, could they be altered?" "It is hard to say," Signor Ventriglia replied. "Perhaps that could be discussed. The important thing is that one way or another, increases in threshold payments should be kept within the agreed limits."

And so, as Signor Andreotti said, they would have to see Mr Whitmore again. "Do you know when the IMF delegation is leaving?" "I heard Signor Ercolani say that their flight to Washington is booked for Monday next." "Very well, let me think a bit. But please cancel all engagements. I may call a meeting with the Treasury Minister and the governor, which I should like both you and Signor Ercolani to be present."

On Sunday morning, March 20, at 10 o'clock, the blue Alfa Romeos of Signor Stamatii, Baffi, Ventriglia and Ercolani passed through the main gate of Palazzo Chigi. Signor Andreotti guided the discussion with great skill. He said they must protect themselves from any opposition on the part of the trade unions, and put forward as his own idea the alternative suggested by Signor Ventriglia. Signor Baffi agreed immediately. Signor Stamatii tried to resist, pointing out that the commitment had already been entered into, but in the end he was convinced that it was perhaps worth talking to Mr Whitmore again. Except, as he pointed out, that he did not know how to contact him, since they had already said goodbye to each other. Signor Ercolani then mentioned that he had seen Mr Whitmore in the early afternoon at the Olympic Stadium, at the Lazio-Naples football match. One of the members of the delegation, Signor Dell'Anno, was a Neapolitan, and had said that before returning to America he wanted to see his team play. Tickets for the match had been presented by the Bank of Italy.

At 5 pm Mr Whitmore, dressed informally without a tie, returned to the Treasury, driven by Signor Ercolani. Signor Stamatii explained the position, adding that the President was worried about opposition from the unions, and the feeling was that it would be wise to leave room for manoeuvre. Above all, social tension in the country gave appreciable grounds for concern. The day before, at a demonstration at Bologna, shots had been fired and two people had been killed. He hoped, of course, that no alterations would be necessary, and expected to be able to send the signed letter of intent to the director general of the fund, Herr Witteveen, the next week.

Signor Stamatii's hopes were soon shown to be unfounded. On March 28, at a meeting requested by Signor Andreotti, the unions dug their heels in. They would never accept having the effects of increases in indirect taxation disregarded for the purposes of threshold payments. The most they could accept was that the effect of such increases should be reduced so that the trade union cost of living index should not exceed the average levels shown in the letter of intent.

This was an insuperable obstacle. Signor Stamatii telephoned Washington, and attempted to explain the difficulty to Mr Whitmore without success. So Signor Andreotti asked him to take the first aircraft to America, confident that once he was there the fund's managers would understand. With Signor Stamatii he sent the faithful Signor Milazzo.

It was a lightning trip that lasted very few hours, but made the telephone wires between Rome and Washington white hot. While Signor Andreotti was still negotiating with the unions, Signors Stamatii and Milazzo received an icy welcome from Herr Witteveen, annoyed with "these Italians who are incapable of honouring a commitment". But Mr Whitmore mollified the director, pointing out that certain changes had been foreseen in Rome, and from there on, everything became easier. Signor Stamatii informed Signor Andreotti that, as far as the IMF was concerned, there were no obstacles. The President in turn succeeded in closing the negotiations with the unions.

A few days later the head of the European department of the fund received the letter of intent signed by the Italian Treasury Minister, and passed it to the fund's board of directors, marking the file on the Italian negotiations "closed". Instead, it was a file destined to be reopened more than once. First, at the end of July, when it was realized that Italian government expenditure had greatly exceeded the limits that had been fixed. And then in September when Signor Stamatii, recognizing at this point that "the concern" expressed by Mr Whitmore in a previous letter was more than justified, was obliged to ask for changes to be made to the clauses regarding expenditure for 1977 and 1978, and the public borrowing requirement.

N.G.

Keynes is still the inspiration

It is fashionable to claim that J. M. Keynes is no longer the inspiration behind our economic policies—which, incidentally, are becoming less and less effective in dealing with the most pressing social problems of the day: unemployment and inflation.

Every nation lives primarily by its excesses, so that one should not be surprised that this particular one is faring none too well. The fact is that our economic policies are still almost exclusively Keynesian, despite the whole Western world's shared experience over the past 30 years of exceptionally rapid growth and even despite the major upheavals inherent in the realignment of world price relativities.

As one can scarcely make the assumption that all those who make reference to Keynes have troubled to read him, it is worth recalling that the essential objective expounded through the painstaking logic and subtle nuance of his general theory is to attain full employment of labour and hence the potential growth rate determined by the working population and the state of existing physical capital.

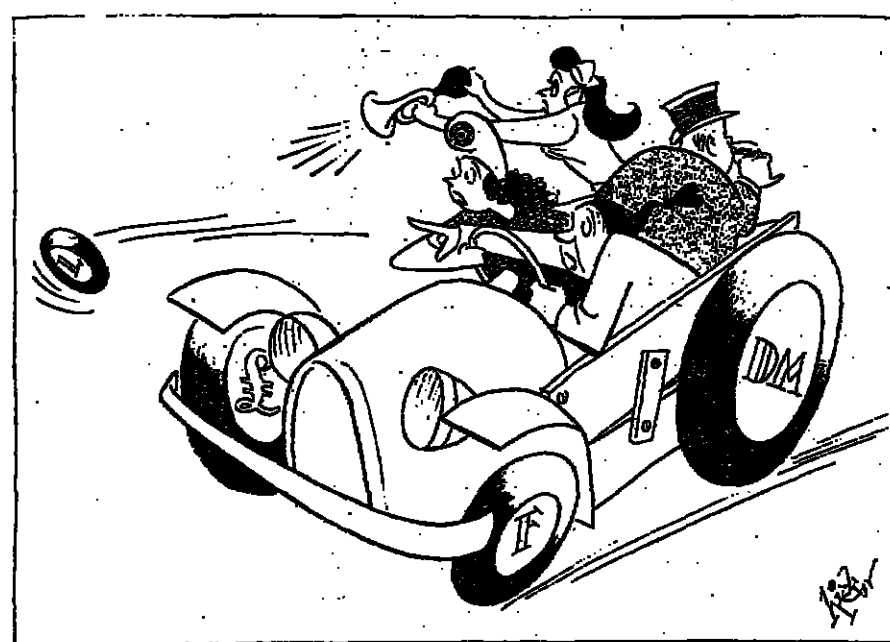
There are many means of achieving this end and they are complementary rather than interchangeable. They take shape to become Keynesian reform through the accumulated effects of easy monetary policy, preferential development of the public sector (or the non-private sector) and protectionism, or rather rejection of international free trade when it is damaging to domestic growth.

In each of these three areas, scarcely any change is discernible other than a heavier emphasis on Keynesian options. And, happily, the failures seem far less obvious than some would have us believe.

It is clear that all our monetary policies have become chronically easy. For all the monetarists' frenetic activity, there is no country in the West where the growth of the money supply is not far in excess of the growth in the real national product or where the real interest rate (nominal rate less the inflation rate) has not been reduced to nil or near it. In other words, no nation has succeeded in achieving survival and growth without inflation.

Should this be construed as a failure? Although close scrutiny of monthly inflation rates has become a pastime which governments everywhere have in common and, despite the development of the intriguing game in which voters and governments conspire to perpetuate the myth that fitness to hold office is to be measured in terms of success in combating inflation, it is not regarded as evidence of failure.

Historically, for reasons closely bound up with the way our Western economies work, there has been no



growth which has not led to inflation, in the short term and in the long term. This indeed was one of Keynes's messages, stated implicitly but firmly and justified at the time in terms of the relationship between the level of investment and the rate of interest, that is to say, the volume of the money supply.

Today this justification should be extended to embrace all the factors entering into economic and social life. There are no longer any social groups which do not stand to lose by a swift and heavy fall in the inflation rate. Households now feel the effect of real indebtedness at least as much as companies. Banks' fortunes are determined by the growth rate of the gross national product, whatever the inflation. As for ministers of finance, inflation enables them to balance their budgets, whereas only a few short years ago there were those who had thought that all hope of doing so would have to be abandoned.

All central banks are now faced with the kind of threat to their power which the Bank of England had to meet alone more than 40 years ago. Contemporary economic policies can not therefore be other than inflationary. Clearly this does not mean that they must be resolutely so, nor that there are not certain constraints. It would be superfluous to give encouragement to such strong tendencies which are thriving so well by their own devices. On the contrary, it would perhaps be better to take steps to prevent them from pushing inflation to such levels that all illusions would be dashed.

The crucial point is that inflation in any given country cannot be isolated

from inflation elsewhere; it is important and exported and, above all, it is relative. Although absolute inflation can reach high levels, the same is not true of relative inflation—the difference prevailing between inflation in one country and in those surrounding it. Here, as always, the constraint comes from outside.

The countries which create order around themselves are precisely those which, for a variety of reasons, have least need of inflation to achieve real growth. However, as we are seeing today, they are accused of exporting deflation simply because they settle for an inflation rate of between 4 and 5 per cent and are obliged sooner or later by friendly or less than friendly persuasion to forgo a domestic success, which is causing difficulties for the wider community to which they belong. Who would call being placed in this position a failure?

The growth of the public sector is Keynes's second recommendation and is more closely associated with the objective of full employment. Though it is not presented as a recommendation, it is the inevitable consequence of all manner of public interventions (investment consumption, and so on), nor least deficit budgeting.

This is probably the field in which present policies are most systematic and uniform. Moreover, it is interesting to note the tone of measured discretion in which the most massive budget deficits have been announced recently by the governments of the reputedly most liberal countries. In 1975 the budget deficit was almost 7 per cent of gnp in West Germany and 5 per cent of gnp in the United States, and is now running at between 3 per

cent and 4 per cent of gnp in all economies. The Keynesian revolution has become a way of life—more so than could have been expected—and this is further underlined by the fact that a threat of depression could only be eliminated by massive increases in incomes created by government.

Who would claim that these policies were a failure on the ground that, despite their intensity, unemployment has not been eliminated completely, or alternatively that the recovery would otherwise have brought back growth more quickly and more fully?

It is nevertheless clear that the western world was only able in 1974-75 to avoid a crisis on the scale of that of 1929 by recourse to the only remedies which we are able to manipulate without grave error: the Keynesian palliatives. It is equally clear that the persistence of unemployment cannot be considered with the unconcern condoned by the loose use of this term which owes too much to now remote history.

Although it is desirable, and probably necessary, for the Western economies to show their ability to continue to grow with minimal unemployment, it is becoming obvious that they are able to support the present levels without social disturbances of the same kind and the same intensity as those experienced before 1939. The fundamental reason for this is that living conditions for the unemployed are no longer what they were, because of important social changes. The latter cannot have failed to increase voluntary unemployment which, like moonlighting with which it is sometimes combined, enjoys more immunity to indiscreet enquiry.

The extent of the failure of present policies is undoubtedly less than it seems and equally undoubtedly much more circumstantial than definitive, such has been the increase over recent years in our economies' capacity to solve employment problems through the growth of the public sector. This has not been the only means used; in many cases, the desired result has been achieved through organizations which defy the simplistic contrast between the private and public sectors. Nevertheless, in all countries, with the vicissitudes of economic policies which are often presented as diametrically opposed (stop and go), the proportion of employment in the private sector has declined consistently to the point of exposing what has now become a fundamental divide between the market and non-market sectors, as perceptively analysed by Bacon and Ellis.

While one may question the wisdom in today's circumstances of pursuing an economic policy which is not based

Continued on next page

Facts and figures

	Rate of growth	Quality of growth		Maintenance of growth		
		Prices	Unemployment	Productive capacity	Foreign trade	Vulnerability to external factors
GERMANY	●●●●●	●●●●●	●●●●●	●●●●●	●●●●●	●●●●●
FRANCE	●●●●●	●●●●●	●●●●●	●●●●●	●●●●●	●●●●●
ITALY	●●●●●	●●●●●	●●●●●	●●●●●	●●●●●	●●●●●
BRITAIN	●●●●●	●●●●●	●●●●●	●●●●●	●●●●●	●●●●●

Inflation rate levels off

During 1977, amid all the disappointments caused by the abortive efforts to stimulate the inflationary economies into dragging the others out of stagnation, there at least has been the consolation of one success: almost all the big Western countries have achieved a significant reduction in their respective rates of inflation.

This is illustrated by the graph for the average rate in our four countries, which has fallen from its peak of 12.5 per cent in January to 6.5 per cent for the period August-October. In other words, the inflation rate has been almost halved in little over six months, no mean achievement.

The most spectacular progress has been made by Britain and Italy, commonly regarded as the weaker economies, which have brought inflation down from double figures, with an annual rate approaching 20 per cent, to single figures, or nearly, with a rate for the past three months of 6 per cent in Britain and 10 per cent in Italy. What accounts for these successes?

In Britain, the sharp reduction in wage increases, from an annual rate approaching 30 per cent to less than 10 per cent, has played a decisive part, aided by the firmness and, in recent months, rising value of the pound. That has accentuated the effect of falling world raw materials prices, with the result that the rate of increase of wholesale prices has been in steady decline: 1.25 per cent in June, 0.75 per cent in July, 0.5 per cent in both September and October.

There has been no similar improvement on the wages front in Italy, where the threshold arrangements continue to pose a threat. On the other hand, world prices and the lira's stability against the dollar have kept the rise in wholesale prices down to 0.7 per cent in two successive months, July and August. Even West Germany, where inflation was already low at

4 per cent, has been able to make further progress, with wholesale and retail prices almost at a standstill over recent months thanks to the rise of the Deutsche mark and wage moderation.

Only France has thus far failed to achieve sufficiently significant results, although the increase in wages has been brought down from nearly 20 per cent to roughly 10 per cent, while prices of raw materials and wholesale prices have eased as they have everywhere else and, except during the recent period, the franc has remained firm, against the dollar that is. Nevertheless inflation is still running at 9 per cent and resisting all efforts to bring it below this level apart from artificial measures such as tax reductions or price freezes.

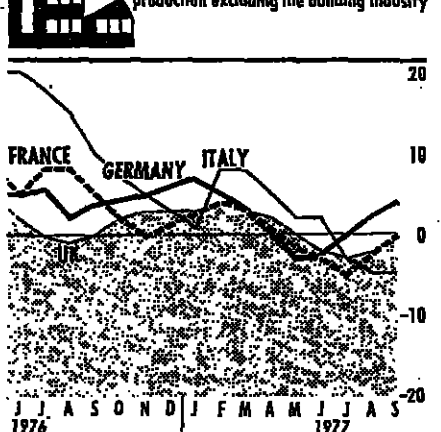
A kind of ratchet effect seems to be ruling agricultural and food prices, allowing them to rise and preventing them from falling, and these are the prices to which households are most sensitive and which have the most immediate influence on wage claims. What a difference with West Germany or the United States, where they are falling.

There have been only the beginnings of success in cases where there has been heavy pressure on wages, as in Britain, or where activity has been maintained at a substantial level, as in the United States where company profits rose sharply by 20 per cent in 1976 and have kept up their impetus, rising at 12 per cent during the first half of 1977, appreciably higher than the rate of increase in wages between 8 per cent and 9 per cent. In West Germany on the other hand, despite wage restraint, persistently sluggish activity has meant that corporate earnings fell by an estimated 4 per cent in the first half of 1977 while wages rose by 6 per cent (and public revenue by 11 per cent).

In Italy, industrial rationalization, particularly in the nationalized sector, poses even greater problems because of the high level of debt. In such circumstances decisive results can be obtained only by financial reorganization, such as that proposed in the Carli plan, under which debts to banks would be converted into shares and subsequently offered to the public. Although such a move is necessary, it would not be enough in itself. As elsewhere, there can be no recovery in the fortunes of companies without a recovery in activity.

It is for this reason that the Confindustria (together with the trade unions) has made representations to the Government to take early action to counteract the fall in activity.

INDUSTRIAL GROWTH
basis: seasonally adjusted index of industrial production excluding the building industry



Growth: The decline in industrial production has levelled off in France and Britain, where the figures are stable. West Germany is back on a slight upward trend, rising by 3 per cent to 4 per cent, while Italian production is still falling at a rate of 5 per cent.

(which is shown up clearly in the graph on industrial production, where it can be seen that Italy's performance is the worst of the four countries). According to the Italian employers, the 2 per cent growth in gdp officially forecast for 1978 is insufficient; the target should be 4.5 per cent, even if that meant that the external deficit would rise again.

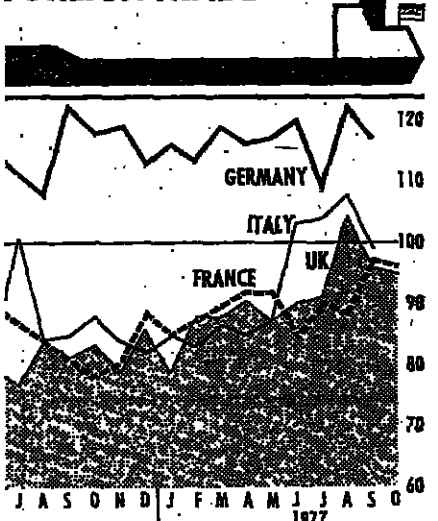
Increased economic activity, then, is the order of the day, but not at the expense of the ground gained in the campaign against inflation. The Americans have shown that this can be done.

The main effort, therefore, will be needed on the domestic front from each individual country, most specifically through keeping wage increases at a reasonable level. That is the first priority in Britain, for instance, where employers are no longer being called upon to impose sacrifices as in the earlier phases, but to hold the line at a general limit of 10 per cent in the face of a rising tide of claims.

Italy needs to carry on combating the adverse effects of the threshold arrangements (particularly in view of the ominous October rise in the inflation rate), while acting to halt the decline in activity. In France, the effort needs to be directed primarily at non-wage incomes.

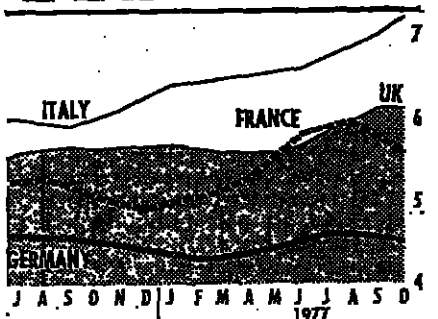
Maurice Bommensath

FOREIGN TRADE



Foreign trade: Britain, Italy and now France, too, are managing to maintain cover of exports by imports at high levels close to break-even point. Their respective rates in October were 95 per cent, 96 per cent and 99 per cent.

UNEMPLOYMENT



Unemployment: Seasonally adjusted unemployment as a percentage of the work force was almost unchanged from September to October in West Germany (4.5 per cent) and Britain (6.1 per cent); it has come down in France from 5.8 to 5.6 per cent, but risen again in Italy to more than 7 per cent (although a caveat should be voiced regarding the influence on these movements of action by the two governments concerned).

Tax-free magnet draws writers, artists

In the past eight years more than a hundred writers and artists from all over the world have decided to move to Ireland. With famous names like Frederick Forsyth and Len Deighton among them, they represent the advance guard of the dense crowd of intellectuals attracted to the Republic of Ireland by a magnet that has proved irresistible—the law which exempts residents from paying tax on any revenue produced by creative work.

This is one example, perhaps the least well known but no less significant, of the success that has been achieved by the package of incentives worked out by the young Irish Republic to give a fresh boost to the disorderly mechanism of the internal economy, which was threatening to condemn the country to a position at the bottom of the European Community league.

But, writers apart, there is no doubt that the Dublin Government has backed a winner in launching a series of revolutionary proposals that have immediately been snapped up by the business world. Ireland's great need was to steer its way clear of the sandbanks of the recession caused, to a greater extent than elsewhere, by the joint effects of two economic factors—on the one hand the predominantly agricultural structure, slow and hostile to the pressures for industrial change, and on the other the outflow of labour which, massive though it was, was not sufficient to offset the worrying increase in unemployment.

The incentives that were promised—and, what is more, have been granted—have brought about what Plant Location International, a Belgian company specialising in the placing of investments, has not hesitated to describe as a "real miracle". In 45 years 662 foreign companies have been "persuaded" to establish themselves in Ireland, with a total capital investment of £547.6m and the creation, as a result, of 76,670 new jobs.

Among the facilities offered the main incentive was 100 per cent exemption from income and other tax on profits deriving from the export of goods produced in Ireland, up till April, 1980. The threat of double taxation no longer hangs over repatriated profits, as a result of the agreements in force with 19 countries; and that is not all.

Foreign business is allowed to deduct, for tax purposes, the total cost of plant outfitting expenses with

a concession that can amount to as much as 120 per cent, in the case of factories built in depressed areas; investments are supported by non-repayable subsidies, which go from 35 per cent to 50 per cent; the Government bears the cost of professional training and even goes so far as to finance, generously, training courses for technicians and managers, and is open-handed in granting loans and assisted contributions for research, development, and the construction and rental of production centres.

A remarkable feature is the absence of bureaucratic delay, which has always been the classic obstacle in the way of all good intentions. From the time the feasibility study for a project is presented up to the time the grants are available, no longer than a fortnight passes, which is a record in keeping with the whole style of "Operation Taxation Paradise" as imposed by the IDA (Industrial Development Authority), the government body which has flung the doors of Ireland wide open to foreign investment.

No wonder, then, that so many companies have taken the bait offered to them so attractively; the Irish do not ask for shareholdings in foreign companies, and scrutiny of balance sheets is reduced to a minimum (thus many multinationals can artificially inflate the profits of their Irish branches).

Of the foreign companies that have set up in the Republic of Ireland since 1960, the proportion of English companies has fallen from 97 per cent to 32 per cent, followed by the Americans with 30 per cent and the Germans with 19 per cent.

In the investments sector America has taken the largest share, almost 48 per cent of the total, with £265.3m; the United Kingdom has invested £91.4m, Holland £67m and Germany £48.2m. The rest of the industrialized nations (Austria, Australia, Canada, Denmark, France, Italy, Japan, South Africa, Sweden and Switzerland) have "gambled" £75.7m in Ireland.

Which direction have these investments taken? In top place of preference are the textile complexes, electronics, chemical factories, and industrial machinery. These include the Thermo King Corporation, a subsidiary of the American Westinghouse, which has opened a plant for producing refrigerator units near Galway; the German Boehringer pharmaceuticals firm; the French firm T&L mécanique Electrique; the Italian

Ferrero confectionery firm, and Glaxo, manufacturing veterinary products.

For all of these, and for the other tax refugees, the aces which decided the issue were always the same: low labour costs (the average hourly wage for the Irish workman, including social security contributions, is \$2.73 compared with \$3.28 in England, \$6.41 in Germany, \$5.62 in France and \$5.23 in Italy); a relatively calm trade union climate (the local unions have so far refrained from declaring war on the multinationals) and the great efforts made by both the Government and the Opposition to respect the commitments entered into by the IDA.

If, therefore, the advantages for foreigners are obvious, there have also been considerable benefits for the Republic of Ireland from its courageous policy of giving industrial incentives, and the most remarkable progress has been in the employment sector. In 1960 the country was only able to "invent" 250 jobs a year, a sad state of affairs that fed the scourge of unemployment and drove hundreds of thousands of Irishmen to look for work abroad. Now the trend has been reversed. Since 1973, 30,000 Irishmen have returned home to jobs in industry, the rate of growth of gnp is about 3.5 per cent a year, and exports have risen by 18 per cent.

On the other side of the coin there still remains the high rate of youth unemployment—which is almost three times the average for the EEC—and the low availability of skilled labour. As one foreign manager says: "The Irishman could certainly not be called the perfect worker. He is slow to learn new techniques, and has a marked fondness for absenteeism; in short, he has still a long way to go in order to acquire the necessary approach to work."

So far, about 60 small firms have given up. They all closed in Ireland for the same reason; the gain from tax exemption was more than lost by the import of efficient and, above all, punctual workers.

Many eyes have already turned apprehensively to 1980, the year in which the tax facilities should end. Their renewal will depend to a large extent on whether new oil deposits are found on the Irish continental shelf, in the region of Cork. In that case the Republic of Ireland could become self-sufficient in energy, and hence come to do without foreigners, a possibility which Dublin likes and the outside world likes much less.

Piero de Garzaroli

Keynes is still the inspiration

Continued from previous page

on the work of all and which assures the full employment on the basis of the work of just a few people, one can scarcely deny that this was the quid pro quo for a degree of social peace. Nor can it be gainsaid that the policy is likely to continue, and even be accentuated, in the future if as many technological innovations are introduced in such sectors as news, communications and management as were applied to industrial activities at the beginning of the last century. If this proves to be the case, it is difficult to see how it will be possible to take any other course than in the past, whatever the complications.

The only aspect of Keynesian

policy which is clearly unsuited to today's conditions is probably its protectionist content. That is not to say that the recent problems in international trade do not make the return or accentuation of certain forms of protectionism highly probable, but the scale of such manifestations of protectionism could only be limited. There is no comparison between the extent of integration of the world economy today and in 1930. Then it was possible, and indeed justifiable, to explain to a nation—the British—that it was beginning to pay too high a price for its declining domination and that it was better to withdraw from the world which it had fashioned almost alone and not without benefit to itself.

It is no longer possible for most Western nations to withdraw from the outside world since, although they are not fully aware of it, they are now part of a world economy. Devaluation is no longer an effective expedient to cope with an oil deficit, and unemployment exported through the door comes straight back in through the window.

Inflation is not the only shared experience. There are those who may be satisfied with explaining the inadequacy of the policies that have not progressed beyond Keynesian principles by blaming the purely national character of the theory underlying them, but they would be deceiving themselves.

A.C.

Copper forecasts missed mark

Just as the economic forecasts of world-wide economic recovery by the second half of 1977 have proved false, so predictions of prices for copper, the most important non-ferrous metal, have been wrong. Most forecasts were agreed that copper prices would rise considerably in the second half of 1977.

In fact copper prices on the London Metal Exchange and the New York Commodity Exchange are only just above the low for the year, at £645.50 a tonne and 54 cents a pound respectively. These prices are below the depressed levels of last year.

There is, admittedly, a strong connexion between the inaccurate forecasts for the economies and for copper. Copper is a primary commodity, subject to extreme fluctuations in price. The principal consumers are the electrical engineering industry and other industries particularly affected by the state of the economy, like mechanical engineering and construction. And the electrical engineering industry has been delaying investment in the face of repeated appeals to save energy, and has hence bought less copper than usual.

Despite all this a London company, Amalgamated Metal Trading, has forecast annual consumption of copper at 6,700,000 tons for this year, easily above 1976 levels, although still far below record consumption in 1973 of 6,900,000 tons. The only year since 1970 in which consumption outstripped production was 1973. Production in the current year is expected to be 6,900,000 tons, and will again be considerably in excess of demand. This over-production, which has persisted for years, has meant a vast increase in world copper stocks. At the beginning of 1970, world copper stocks in all countries amounted to 817,000 tonnes; at the beginning of this year they stood at 2,800,000 tonnes, and by the end of the year Amalgamated Metal Trading estimates that they will be 3,100,000 tonnes.

The ratio of stocks to consumption shows clearly the desperate state of the copper market. In 1970 world stocks were 19.3 per cent of annual consumption, today they are 45.8 per cent. And if this development is not

halted, Amalgamated Metal estimates that by 1980 the ratio will be more than 50 per cent.

This overproduction is particularly surprising because the market price (now 54 cents a pound) means that only very few firms can produce copper at a profit. The experts of The Economist Intelligence Unit give 65 cents a pound as the minimum break-even point for the bulk of copper producers. Production costs in the United States are actually 80 cents a pound, on average.

The reasons for the present unsatisfactory state of affairs are to be found in the later 1970s. Expectations of rising copper prices led the industry to open new mines and expand capacity. At present, according to Charter Consolidated figures, only 85 per cent of capacity is in use, on average, but this level of operation is still high enough to lead to further increases in stocks.

At a time of falling prices, the developing countries, in particular, are attempting to keep their earnings from copper stable by increasing production. Copper is the second most important commodity produced by these countries and is one of the 10 "core commodities" for which the developing countries are trying to get commodity agreements with the industrialized countries aimed at stabilizing prices.

A commodity agreement for copper has been in existence since 1967, when the copper exporting countries, Chile, Peru, Zaire, and Zambia formed CIPEC (Conseil Intergouvernemental des Pays Exportateurs de Cuivre). At the end of 1975 Indonesia was admitted to full membership, and Australia and New Guinea became associate members without voting rights. For a long time, however, CIPEC was simply not in a position to stabilize copper prices, above all because the United States, the biggest producer and consumer of copper, is not a member of CIPEC.

In the United States, President Carter has taken over the stockpile policy introduced by the Ford Administration. This was based on the idea that the United States should have strategic reserves adequate for a three-year war. As this still requires Congress's approval it will be some years before stockpile purchases can begin.

The only quick method of price

stabilization for now would be a cut in production of at least 10 to 15 per cent. This is, however, rejected by the CIPEC countries. An even more radical proposal comes from Mr Joseph Zimmermann, a director of Miles Metals Company, New York; an immediate halt to production, and assumption of a quarter of current stocks by market support institutions. This would produce a state of balance in the market by 1980.

Other experts believe that this would be brought about automatically if present low prices continue for any length of time. This is because most producers are selling below production cost, and would be forced in the longer term either to reduce production or to go out of business altogether. This group argues that the lack of willingness to invest among copper producers will bring about a state of copper shortage by the beginning of the 1980s. The question then would be, not how low can copper prices go, but how high.

Leo Fischer

St. Helier, LA STAMPA

THE TIMES

DIE WELT

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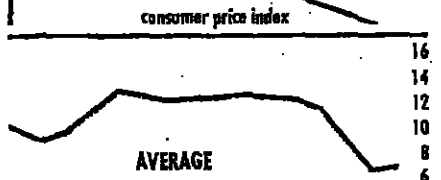
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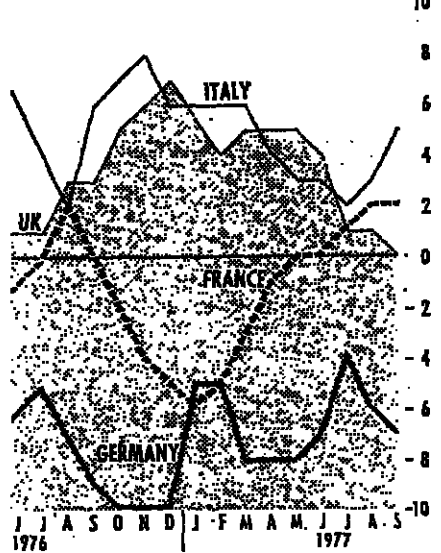
PRICES

consumer price index



AVERAGE

DIVERGENCE FROM AVERAGE



Prices: Average inflation for the four countries now seems to have reached a low point at roughly 6.5 per cent. Over the three-month period to October prices remained almost stable in West Germany and rose at only 6 per cent in Britain, but the rate is refusing to fall below 9 per cent in France, and it has recently risen from 10 to 12 per cent in Italy.

United States: Comparative situation and influence

Industrial growth ● (●)

The improvement in the news about general activity continues. In particular the index of leading indicators recorded a third successive rise (0.3 per cent) in September, after 0.2 per cent in July and 1.4 per cent in August. Retail sales, which were down 0.2 per cent in September, forged ahead again by 1.8 per cent in October, a month which saw a record number of housing starts (almost 2,200,000 on an annual basis).

Prices ○ (○)

The favourable trend in retail prices is continuing (up 0.3 per cent in September, an annual rate of just over 4 per cent over the past three months). By contrast, the acceleration in wholesale prices which started in September (0.5 per cent) continued into October (0.8 per cent), the main cause being a 2.4 per cent spurt in farm prices in October alone.

Unemployment ○○ (○)

Since April the statistics of unemployment as a percentage of the workforce have hovered at about 7 per cent without any significant change, as witness the monthly figures: 6.9 per cent in May, 7.1 per cent in June, 6.9 per cent in July, 7.1 per cent in August, 6.9 per cent in September and 7 per cent in October. On the other hand, the numbers in employment continue to rise steadily.

Productivity capacity ○ (○)

Investment is still not running at the level needed to strengthen and stabilize the growth rate. The main causes for this disturbing feature are: low capacity use (82.8 per cent in October), slower development of profits, higher interest rates and above all lack of confidence.

Trade ○○○ (○○○)

September's balance of trade figures were slightly less bad than the disturbing sequence of earlier months, with the deficit reduced to \$1,700m compared with an average of \$2,700m for the three previous months (calculated fob-cif, the basis used for the European countries, these figures would be \$2,600m and \$3,600m respectively).

Influence on the four countries

Monetary and financial: American short-term interest rates, which have risen sharply (with prime rate now close to 6 per cent), are beginning to cause embarrassment in Europe, where rates have been falling. In Britain, despite sterling's continued firmness, the rate has started to rise, whereas in France the franc is falling while money market rates are substantially up, at more than 9 per cent.

Economic: After faltering during the third quarter, the American growth rate is getting back on course, although it still unfortunately lacks impetus and confidence, as is borne out by the reluctance to invest and the fall on Wall Street. This display of pessimism in the country that is in the best position as far as activity is concerned will give little encouragement to European industry.

○ Poor ○○ Bad ○○○ Very bad ● Fairly good ●● Good () Previous performance

A to Z of the EEC

Useful forms of shorthand or polite euphemisms? A glossary of some of the commoner terms that have become part of the language of diplomacy in Brussels and what they really mean.

ACP's: African, Caribbean and Pacific developing countries granted financial aid and trading concessions by the EEC under the Lomé Convention. Association: status first granted by EEC to Greece; and now enjoyed by other Mediterranean countries; going beyond mere trade agreement but falling short of full Community membership. **CAF:** Common agricultural policy. **Common customs tariff:** common tariff levied by the Nine on imports from outside the Community. **Communautaire:** French term meaning roughly "community-minded". Certain states, notably France, are generally acknowledged to be much more "skilled" than others, notably Britain, in dressing up self interest in *communautaire* disguise. **Community preference:** doctrine that EEC countries should give preference on their markets to imports from other member states, particularly in agricultural trade. A controversial exception are Britain's imports of New Zealand dairy products. **Coreper:** abbreviation of French title of the committee of permanent representatives, the ambassadors who head the national missions of the Nine accredited to the European Communities in Brussels. The committee prepares meetings of the Council. **Council:** Council of Ministers, the

body which represents the Nine and takes decisions on the proposals submitted by the European Commission. Not to be confused with the *European Council*. **Court of Justice:** sits in Luxembourg; its main function is to rule on alleged infringements of the Treaty of Rome. **Derogation:** euphemism for permission to break the rules. EEC member states are asked to accept common rules in principle, but allowed many *derogations* in practice. It is the basis of the EEC's survival. **Directive:** proposal by the Commission, which, if approved by the Council, leaves member governments free to introduce the appropriate legislation at the national level. **EMU:** Economic and Monetary Union. **Legendary objective:** involving ultimately the adoption of a single European currency and establishment of a single central bank and monetary authority, once talked of as a possibility by 1980. This target has long been abandoned, but the Commission is attempting to stimulate faster progress towards EMU. **Enlargement:** what happened when Britain, Ireland and Denmark joined the Community and will happen again if Greece, Spain and Portugal do the same. **Euratom:** the European Atomic Energy Community.

ECSC: the European Coal and Steel Community. **European Commission:** the supposedly supra-national body which prepares and submits policy proposals to the Council. **European Council:** thrice yearly summit meetings of EEC prime ministers. France is represented by its head of state. Not to be confused with *Council of Ministers*. **European Parliament:** sits in Strasbourg and Luxembourg. Little more than consultative body, but may become directly elected for the first time next year. **European union:** mystical goal vaguely referred to in the preamble to the Treaty of Rome. Taken by some to imply the eventual creation of a united states of Europe and by others to mean not much more than an obligation to cooperate more closely. **Export restitution:** euphemism for the large subsidies that have to be paid to EEC exporters to enable them to sell the Community's overpriced food surpluses at competitive prices on world markets. **Green currencies:** artificial exchange rates designed to shield the EEC's common farm prices, fixed in units of account, from the fluctuations of the national currencies into which these prices are translated. The rates are

sustained by *monetary compensatory amounts*. **Harmonization:** progressive introduction of EEC-wide norms and standards designed to remove non-tariff barriers to trade. Standardizing urge led to misguided attempts to promote such absurdities as Euro-bread, Euro-beer and Euro-cream, now abandoned. **Intervention price:** the market price at which the EEC buys up farm produce, such as beef and butter, and puts it into storage to prevent prices falling further. Central feature of the CAF, though not as sacrosanct as formerly, and enables the EEC to offer farmers guaranteed prices. **Luxembourg compromise:** the agreement of the Six of January, 1966, which effectively gave every EEC member state the right to veto a proposal deemed to threaten a vital national interest. Insisted on by France as the price of returning to Council meetings which it had boycotted for much of the previous year. **Mandate:** terms of the brief given by the Council to the Commission for negotiating trade agreements on behalf of the Nine. **MCA:** abbreviation of *monetary compensatory amount*, the terms used to describe the taxes and subsidies on farm trade used to maintain the *green currencies*.

Mountains: stockpiles of surplus beef, butter and so on created by *intervention*. **Nine:** present members of the EEC. **Owo resources:** source of revenue of the EEC budget, consisting of common duties on industrial imports, *variable levies* on farm imports and the receipts from value added tax levied at a rate of up to 1 per cent on a common list of goods and services. **Political cooperation:** coordination of foreign policy by the Nine outside the framework of the Treaty of Rome. **President:** title enjoyed for six months by each member state in turn. The country holding the presidency chairs meetings of the Council. Not to be confused with the presidency of the Commission currently occupied by Mr Roy Jenkins. **Qualified majority:** system of weighted voting used in the Council designed to make it impossible for one big country on its own to block a proposal or for the smaller countries acting together to be outvoted. Seldom used in practice because of indiscriminate resort to *Luxembourg compromise*. **Regulation:** proposal from the Commission which is approved by the Council immediately becomes law in all member states.

Reserve: euphemism for often serious objections which a member state may have to a given proposal which it nevertheless accepts in principle. **Schloss Gymnich:** German chateau which has given its name to the twice yearly informal and supposedly secret meetings of EEC foreign ministers first held there. **Six:** EEC before Britain, Denmark and Ireland joined. **Transition:** five years allowed Britain, Ireland and Denmark after entry to adapt to the requirements of EEC membership. This period runs out at the end of this year. **Units of account:** embryonic European currency used as a device for calculating the EEC budget, fixing farm prices and in certain transactions with non-Community countries. The value of the *unit of account* in national currencies depends on the purpose for which it is being used. **Variable levy:** euphemism for import controls. Special taxes, which can be varied according to market conditions, exacted on imports of farm produce into the Community to prevent them undercutting generally more expensive Community produce. In some cases the levies are so steep as to amount to an import ban.

Michael Hornsby

J Jacques Ferry

Steel: crisis hour

French employers are traditionally inimical to *dirigisme*, whether national or international. Despite this M. J. Jacques Ferry, Chairman of the *Chambre Syndicale de la Sidérurgie* (French steel-producers' association), has accepted state aid for several years in his efforts to tackle the industry's serious problems.

In the early 1970s, for instance, the massive investment programme considered necessary to meet competition from abroad was made possible by substantial loans from the Government. And, more recently, the plan to solve the French steel industry's crisis by reducing the labour force by 16,000 between May 1977 and May 1979 came into being as a result of negotiations with senior government officials.

Vice-chairman of the CNPF (the "French employers' organisation") and chairman of its influential economic committee which deals with international relations as well as economic policy, M. Ferry wears his 64 years lightly after a lifetime packed with economic, political and human experience. This may well be the strength which enables him to counterbalance the weaknesses inherent in his position at the head of an industrial organisation which is chronically sick, permanently dependent on the state and threatened with nationalization by the parties of the left.

But does he not also have the irony of fortune on his side? We are now

seeing a repetition throughout Europe of the type of situation he experienced in France a number of years ago. The European steel industry, under attack from all sides, is going through a crisis. On its own markets, which are the only major industrial markets to remain open to all onslaughts from abroad, the battle is raging, while abroad, particularly in the United States, the competition is protecting itself securely against intruders. Even the German steelmakers, traditional supporters of complete free trade, are beginning to come round to the line taken by those in favour of coordinated action by the industry as a whole and negotiation of international agreements to lay down standards for relations between competitors.

Since the beginning of this year M. Jacques Ferry has been chairman of Eurofer, the association of the principal steel producers in the nine countries of the EEC, and in this capacity he has been in constant touch with Viscount Etienne Davignon, the member of the European Commission responsible for industrial affairs, so that he now commands attention among the industry and among the administrative authorities.

In pressing for the opening of negotiations between the European Commission and the American Government to put an end to the unfair competition and hypocritical protectionism which are on the increase,

M. Ferry originally set various initiatives in motion, but eventually Viscount Davignon declared that he was in favour of negotiations of this type on condition that they were sufficiently broadly-based to lead to proposals which would entail some commitment on the part of the Japanese steel industry as well. This seems to be leading up to something akin to the proposals (universally rejected at the time) for a world conference on the steel industry which M. Ferry made more than two years ago in the belief that it was the only way of avoiding a major crisis.

Come what may, market organization is developing on a world-wide scale, while *dirigisme* is taking a hold on the domestic front. The choice has to be made between the lesser of two evils and, surely, crisis leading to successive bankruptcies or massive redundancies both in Europe and on the one hand and in the United States and Japan on the other is the greater evil. The question which now arises is whether what we are seeing in the steel industry—a new development as far as Europe is concerned—does not foreshadow future developments in other sectors of the economy. Does it mean that, in order to reach agreement among themselves and with the authorities, Europeans have to be at the end of their tether?

Jacqueline Grapin

Piaggio

Revolution on two wheels

Piaggio, the Ligurian firm that produces mopeds and the Vespa scooter, was founded in 1884 and originally manufactured products for the shipbuilding industry. Subsequently it extended its activities to manufacturing railway carriages, and finally entered aeronautics—in 1915.

Immediately after the last war Piaggio, like many other Italian firms, was faced with the problem of converting its plant back to production for normal civilian commercial needs. Thus, from an original idea promoted by Enrico Piaggio and developed by a team of designers under Corradino d'Ascanio, the Vespa was born.

This revolutionary two-wheeler was the fruit of technological experience far removed from the final product, a vehicle with a stamp entirely its own. The main requirements were to be able to get about on two wheels without getting dirty, to be able to mount and dismount without fuss, to have an easily replaceable spare wheel and to keep running costs, both of fuel and maintenance, very low.

With its previous experience in the aeronautics industry, the team was able to produce an original design to meet these requirements, with a load-bearing body structure, direct transmission from the engine to the rear wheel, interchangeable wheels, a front suspension of the type used on aircraft undercarriages and, throughout, the use of light alloys to keep weight down.

The Vespa's success, which is continuing after 30 years in production—six million Vespas have been sold all over the world—has been accompanied by various myths, such as that it uses aircraft undercarriage wheels or aircraft starter motors. The truth is that it is a newly-designed product through and through.

Since February Piaggio—a company with a turnover of 200,000 lire in 1976, and a forecast turnover of 250,000 lire for this year—has had as its managing director and vice-chairman (the chairman is Signor Umberto Agnelli) Signor Giovanni Squazzini, born 54 years ago in Novara and a graduate of Turin Polytechnic in 1946, who came to Piaggio from Lancia, where he had been managing director for three years. We asked Signor Squazzini a few questions.

What are the prospects in Italy, and in Europe as a whole, for the two-wheeler market?

In 1976 total Italian production of motor-powered two-wheelers—excluding, therefore, bicycles—was over a million machines, an increase of approximately 21 per cent over 1975. Of these, 770,000 were mopeds. Over the same period Piaggio's share of total production was 500,000 machines. In the first six months of 1977 there was an increase of 24 per cent in total production. Piaggio's own output grew correspondingly, and we reckon to produce about 550,000 machines of various engine capacities (from 48cc

to 200cc) this year.

About half of Piaggio's production is taken up by the home market, and the remainder is exported. Where exports are concerned, I might just mention that the total amounted to 340,000 machines, of which 244,000 were made by Piaggio.

With regard to the immediate future, both mopeds and scooters can look forward to a period of growth although, in the case of mopeds, competition in the export market is becoming increasingly fierce from the French, Germans and Japanese.

There may be a substantial increase in our exports to the United States, where President Carter's energy policy presents interesting growth prospects for low consumption two-wheelers, especially mopeds. Piaggio's profit and loss account shows your firm's solidity and substance. What do you think of Italian publicly owned industry, about which the same cannot be said?

My main concern is to ensure that Piaggio continues to be a solid, dynamic, efficient company, just as I found it. As far as the publicly-owned sector is concerned, I hope it may soon shake itself free from the difficulties with which it is at present bedevilled, since this is in the interests of the entire Italian economy, which will benefit accordingly. What every firm must preserve is the competitiveness of its products compared with those of its international competitors. This is the only yardstick.

How are relations with the trade unions in your firm?

We have established a policy of continuing dialogue with the workers' organizations, so as to obtain agreement where company policy is concerned. Adjustment and updating to meet the indispensable needs of technology must, at the same time, bring positive answers to social needs. The last union dispute over the renewal of the labour agreement was settled, after searching discussions, to the satisfaction of both sides.

Has the oil crisis helped the two-wheeler market?

The high cost of oil undoubtedly favours the use of low-consumption vehicles, especially for short journeys and in towns. But in spite of that, the present economic crisis and prevailing inflation are not favourable factors, not even for the two-wheeler sector, since the reduced purchasing power of the individual can affect our market.

And now about yourself. You come from Lancia, the car firm you revived successfully. What do you think of your move from the four-wheeler to the two-wheeler sphere?

Cars were my first love, which turned into a marriage that lasted almost 30 years. Obviously, one never forgets one's first love, but it is also true to say that we are not divorced, since I am still managing director of Ferrari, which is the most symbolic and exciting of all the four-wheelers.

I have discovered the world of the two-wheeler day by day, from the time I joined Piaggio. It is an extremely interesting world since it is youth-oriented, and I find young people competent and determined in the choices they make. That is why you have to offer them products which measure up to their expectations—youth allows no mistakes. As far as technology, market research and the means of production are concerned, it is no different from producing four-wheelers. There is one advantage: being in contact with young people keeps you a bit younger. And that is quite a lot.

Renzo Villare

Agriculture: embarrassment of riches

The negotiations on farm prices about to start for the year ahead traditionally mark the zenith of the European agricultural timetable, providing an opportunity to reappraise the health of the Common Agricultural Policy and to consider any adjustments.

The main feature of the dim situation confronting the Nine is overproduction. A new development, which is disturbing for countries like France, the Netherlands and Italy which 20 years ago banked on the agricultural common market of a "green Europe" in which the influence of specialization would decline and each member state would become or aspire to become self-sufficient, is that there is now a permanent surplus in a number of key products—sugar, beef, wine.

Stocks continue to rise and the cost of absorbing them is placing an increasing burden on Community finances year by year; expenditure on price maintenance by the European Agricultural Guidance and Guarantee Funds (EAGGF) since 1973, the year when Britain, Denmark and the Republic of Ireland joined the EEC, has risen as follows: 3,500m units of account in 1973, 4,100m in 1974, 4,700m in 1975, 5,500m in 1976, 7,100m in 1977 and an estimated 8,300m in 1978.

What is the explanation? In addition to the well-known factors (prices pitched too high originally, gaps in the arrangements for protection of EEC members by allowing excessive imports of vegetable proteins), two more recent phenomena have contributed to the deterioration of the situation.

The first of these has been the crisis. The Common Agricultural Policy was based on the assumption of economic expansion and prosperity which, the eager lawgivers of the 1960s believed, would be sufficient to eliminate the inherent imperfections of an operation (integration of old Europe's farming industries) which was both novel and revolutionary. Today, agricultural modernization is being held back by the difficulties experienced by farmers wishing to switch to other occupations.

The stagnation in purchasing power is having an adverse effect on consumption. Governments under pressure from all sides to revitalize their flagging economies, are naturally paying more attention to the rise in EAGGF expenditure.

The second new factor is monetary disruption. The problem is well known: actuated by political expediency member states have

generally chosen to cushion farm prices against fluctuations in their exchange rates.

European agriculture is functioning under an artificial exchange rate system whose commercial effects are corrected or supposedly corrected by the application of compensatory monetary levies. As a result agricultural production and expansion in the countries with strong currencies—led by West Germany—enjoy an abnormal advantage and this has undoubtedly done much to impede the normal development of farming.

A few statistics will serve to illustrate this situation. West Germany is the country where milk and meat stocks are highest. In September 1977 stocks of powdered milk, a particularly critical product, stood at 657,080 tonnes in West Germany, compared with 180,000 tonnes in France and 140,000 tonnes in the three Benelux countries together. On the trade side, the Germans are steadily ousting the French as exporters of animal products to Italy. This is serious, because supplying specialisation in this way jeopardizes the productive potential of the EEC regions whose only asset is their agriculture.

What action has the EEC taken? What does it intend to do to rectify the situation? The need for action seems all the more urgent with the

prospect of the enlargement of the Community to include Greece, Portugal and Spain, which complicates the issue in that it would necessitate the reorganization of farming in the Mediterranean. The European Commission reiterates that a policy resulting in surpluses must be rejected, but has yet to put forward firm proposals in pursuance of this profession of faith.

Apart from its efforts to secure the gradual elimination of compensatory amounts and thereby a return to unity of farm prices, it has been content with timid exploration of two courses, the first aimed at enlisting the aid of producers in its endeavours to reduce the surpluses. This is the "joint responsibility levy", the 1.5 per cent tax on milk.

This exercise already seems doomed to failure. No one in Brussels believes that it will lead to a reduction in output—"small dairy farmers are not being discouraged, but merely messed about" is the comment of one expert—and there is scepticism about the effectiveness of the new expenditure on increasing outlets which is being funded with the proceeds of the tax.

Encouraging consumption by reducing prices is the aim of the proposal put forward by Mr Finn Olav Gundelach, the Danish commissioner respon-

sible for agricultural affairs, in the hope of reforming the support system applicable to beef and veal. The effect of this proposal would be a reduction in the intervention price, but it has little chance of being adopted by the Nine.

Apart from these modest attempts, there is no coherent scheme for improving the Common Agricultural Policy. In the harsh judgment of one senior European civil servant: "To judge from what one hears from Mr Gundelach, all one can look forward to is the fundamental and disastrous idea of imposing a reduction in the guarantee on basic products, a typically liberal solution promising disaster in a Community where farmers still amount to 10 per cent of the working population in many regions."

The truth is that now, just as in the past and perhaps more so as a result of the present crisis, there is no alternative to the Common Agricultural Policy other than the destruction of the Community. With a commission so lacking in imagination, initiative and policies, this is the only reason for remaining relatively optimistic and believing that once again the catastrophe so often predicted will not take place.

Philippe Lemaitre

Energy: opportunity for accord lost

Both the national oil companies and the political authorities have been making efforts over recent months towards the establishment of a European Community energy policy. Is this a realistic objective when some member countries (Britain, The Netherlands, West Germany, Belgium) have abundant supplies of hydrocarbons or coal and others have none?

The refining crisis which is affecting the whole of Europe could have brought the EEC countries closer together, but the most recent meeting of the energy ministers of the Nine demonstrates that this is far from being the case.

Up to 1973 the oil companies had invested substantially to serve a market which was expanding steadily, but the fall in consumption after the increase in oil prices and the difficulties of the world economy resulted in a surplus of some 35 per cent in refining capacity within the Community.

This development would probably not have been too much for the less powerful companies had it not been coupled with a big distortion of competition between the European oil producing companies (with another source of income) and the others. In an article published in August 1977, Herr Jurgensen, a Hamburg professor of political economy, pointed out: "Since 1974, companies controlling almost half of the refining capacity in West Germany have been allowed to offer nearly DM 2,000m (roughly £500m) a year whereas the other operators have no other recourse than the choice between an actual loss and a distortion of profits to the detriment of expanding sectors."

As West German tax law allows consolidation of profits on production and losses on refining, prices fell with the result that companies were obliged to sell at a loss. And the contagion of German prices has spread to most of Europe. In time this could lead to a decline in exploration by European

companies, which would in turn increase Europe's dependence on the outside world for supplies of crude.

If the national companies—VEBA in West Germany, Petrofina in Belgium, ENI in Italy and CFP and Elf-Aquitaine in France—were the first to react, this is because they were deeply affected by the collapse in prices. One only needs to consider their debt ratio (ratio of long-term debts to capital) at the end of 1976 to be convinced: SNEA and VEB 42 per cent, CFP 46 per cent, Petrofina 54 per cent and ENI 59 per cent whereas Mobil has the highest debt ratio among the important companies at 24 per cent, followed by BP and Shell at 23 per cent, Texaco at 19 per cent, Socal at 17 per cent, Exxon at 14 per cent and Gulf Oil at 13 per cent.

The five European companies, which had already sent a memorandum to the EEC Commission on July 23, 1976, reiterated their proposals for the limitation of refining capacities, aid to exploration and publication of a scale

of prices at the beginning of November 1977. This year France, The Netherlands and Italy have also submitted memoranda to the Community. But whereas the Italians are calling for the establishment of an oil community along the lines of the ECSC (European Coal and Steel Community), the Dutch are only thinking in terms of consultations over the creation of any new refining capacity and are against any reduction in existing capacities.

A proposal published by the EEC last March on the other hand, called for the closure over the next few years of surplus plant with total capacity of 145,000 tons. Thus the disparities between individual countries' energy resources are compounded by differences in political philosophy and national vested interests. West Germany and The Netherlands, in the name of their liberal policies, are hostile to publication of a scale of prices and support the proposals for the monitoring of transactions on the Rotterdam market, which the "five"

consider unhelpful.

On October 25 in Luxembourg Britain once again invoked its regional policy to reject all constraints on its plans for industrial development. The West Germans are as opposed to the introduction of minimum prices proposed by France as the French are to the voluntary quotas which Bonn might be prepared to accept. The only common ground among the Nine is on the subject of imports of refined products.

In the face of this lack of agreement pressure is mounting for the formulation of national policies, especially in France and Italy. The French Government is helping Compagnie Française des Pétroles and Elf-Aquitaine by increasing the hydrocarbon support fund (at present 245m francs). This would be a device for compensating losses in refining under the guise of providing funds for exploration. But Europe will have wasted a good opportunity for concerted action.

Bruno Dethomas

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£20.5m offer by NEB beats Trafalgar House move to buy Fairey companies

By Bryan Appleyard

In a move described as "outrageous" by Mr. Victor Arrows, deputy chairman of Trafalgar House, the National Enterprise Board has successfully topped its company's offer for the non-aviation business of the Fairey Group. The £20.5m offer for 11 of the 14 companies in the group is accepted by its Receiver, Mr. Charles Hardie, last night. Trafalgar had offered £18m for the 10 profitable companies or £16m for the whole group.

Mr. Matthews responded by saying that Trafalgar had been "outraged".

"I think it is outrageous. We are a strong commercial group and it is not the NEB's job to intervene in this kind of way."

He added that he believed the offer price had been at the end of the range and decided the company's belief in the value of the group was in line with Trafalgar.

The NEB offer, which represents a premium over net asset value, is for all of the group's 14 companies operating in various industries including aircraft, electronics, and engineering.

Mr. Matthews said the companies being purchased made a greater cohesion between European currencies.

For Britain, Mr. Callaghan said that he welcomed the Commission's attempt to think the whole concept of economic and monetary union, and promised that his Government would participate constructively. But he had yet to be convinced that the approach had any advantages.

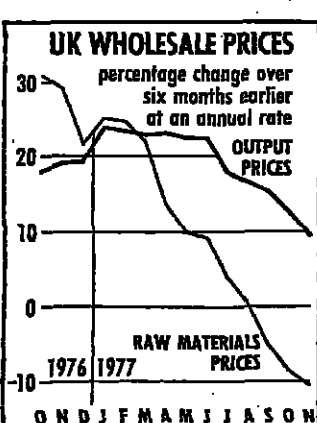
In separate discussions on a related Commission proposal for raising a £650m loan on the international capital market to finance new job creating investment, Mr. Schmidt indicated that Germany's attitude would depend in part on the settlement of the dispute over the size of next year's regional fund.

The Commission has proposed allocating £488m next year to the fund, which is designed to bring about a transfer of wealth from the richer to the poorer regions of the community. The Germans have said that they think this is too generous, while the French are pressing for a bigger share.

Higher pay burden on industrial costs

Continued from page 1

Prices to have been an important contributory factor. Prices in the vehicle sector are rising in the summer of four times faster than in the last three months. In the oil sector, lower oil prices have been an important factor. For the future, one of the indicators of prices is the cost of industry's raw materials. These have now been falling for several months. In the oil sector, lower oil prices have been an important factor. For the future, one of the indicators of prices is the cost of industry's raw materials. These have now been falling for several months. In the oil sector, lower oil prices have been an important factor. For the future, one of the indicators of prices is the cost of industry's raw materials. These have now been falling for several months.



However, many independent forecasters, who take a gloomy view of the Government's ability to achieve its target of a 10 per cent growth in earnings during the 1977-78 pay round, do not expect the decline in inflation to be maintained throughout next year. If earnings rise significantly above the 10 per cent target, then price inflation will once again begin to accelerate next summer.

Mr Rippon takes place of Sir James

By Ronald Pullen, Banking Correspondent

Mr Geoffrey Rippon, MP for Haverham, is replacing Sir James Goldsmith as chairman of Britannia Arrow Holdings, the renamed Slater, Walker Securities, as part of the restructuring of the board shadowed at last month's annual general meeting.

Also retiring from the board are the merchant banking representatives—Mr Charles Hambro and Mr Peter Hill-Wood, of Hambro & Co., and Mr Lord Rothschild, of N. M. Rothschild—who were drafted in under the auspices of the Bank of England just over two years ago to provide heavyweight support to Sir James.

Sir James was brought in in October, 1975, to steer the banking and property group out of financial difficulties following the resignation of Mr Ian Slater, who left because of "the growing publicity concerning the dispute with Hav Par".

With the departure, too, of Mr Robin Walker and Mr Colin MacLennan, whose departure was also announced yesterday because they no longer have a role to play in the slimmed-down group, the only member of the old Slater guard to remain is Mr Brian Banks, whose stewardship of the investment management side of Slater, Walker was the only area to get a fairly clean bill of health in the joint accounts report on the group. He is stepping up as group managing director.

Joining Mr Banks on the board are Mr Michael Newman, as finance director, and

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Two steel closures at reprieved Tees works

By Our Industrial Correspondent

British Steel has taken the first steps towards the phased shutdown of steelmaking at its South Works at Hartlepool on Teesside. The works, one of the group's largest, will be closed in two stages.

The first stage, the closure of the Bessemer converter, will be completed by the end of December. The second stage, the closure of the open hearth, will be completed by the end of January.

Steelmaking at the works will be reduced to a level of about 100,000 tons a year, which will be sufficient to meet the needs of the group's other works.

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Govan shop stewards reject Swan plea to 'black' Polish ships

By Peter Hill

Shop stewards at the Upper Clyde yard of Govan Shipbuilders yesterday rejected an appeal to "black" any of the heavy machinery it from the Tyne side of the yard.

The stewards, who met after the reassignment of one of the 16,500-ton deadweight hulls from Govan to the yard at Swan Hunter because of an overtime ban by outlying workers at the latter, called on the outlying workers to abandon their industrial action and pursue their claim through normal negotiating procedures.

But a statement issued by Mr James Airlie, the Govan convenor, avoided committing the Govan workers to construction of the ship.

Mr Airlie noted that the keel of the ship would not be laid for some months and the Govan stewards were hopeful that a settlement of the Tyne dispute would be achieved.

"Our statement is quite clear," he said. "We have had a request by telegram from the Swan Hunter outfit to black the Tyne side of the yard. It is our view that all the 24 vessels must, and will be built in British yards. Any barriers or problems that jeopardize all or part of the yard must be removed."

The Govan stewards, he continued, would be willing to enter discussions on the reallocation of the one ship order already switched from the Tyne to the Clyde.

Mr Arthur Scott, Tyne-side secretary of the Confederation of Shipbuilding Unions, said he did not expect the "statesman-like" decision of the Govan

Stewards to have any direct impact on the Tyne dispute.

"If the lads here are going to change their minds it is going to be as a result of formal arbitration," he said.

But while British Shipbuilders will undoubtedly derive some satisfaction from the Govan statement, the stewards made clear their determination to make a firm stand on the issue of redundancy and redundancy within the industry.

Two other bulk carriers originally earmarked for the Tyne, worth a total of £22m and forming a substantial slice of the Polish shipbuilding deal, have so far been reassigned.

Both have been placed with Smith's Dock on the Tyne, where workers have provided assurances of industrial peace.

The remaining four have still to be placed and British Shipbuilders are still hopeful that they can be confirmed with Swan Hunter.

But the state corporation is under growing pressure. It will be required within the next two weeks to confirm the allocation of the orders with the Polish authorities under the agreement, specifying delivery schedules.

Two officials from British Shipbuilders were due to travel to Poland today, but the visit has been postponed until later this week to enable details of the charter arrangements for the ships to be completed.

Signing of the contract is scheduled for about December 19.

There have been reports that Japanese shipbuilders have been showing renewed interest in the bulk carriers in the wake of the intransigence by the out-fitting workers on Tyne-side.

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Intervention fails to prevent fall in dollar

By David Blake, Economics Correspondent

The dollar fell sharply in the European Parliament in Strasbourg and a practising barrister, best known politically for negotiating Britain's entry to the EEC when Chancellor of the Duchy of Lancaster, Mr Rippon was the first Conservative politician to decline frontbench office when Mrs Thatcher became leader.

Commenting on his role at Britannia Arrow, Mr Rippon said that he saw his job as "ensuring that a progressive, conservative policy is followed". In this aim he will continue to be advised by Hambros and Rothschild, whose services will continue to be available to the board as joint financial advisers to the company.

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£60m plan to build skills for Britain of the 1980s

By David Blake, Economics Correspondent

Skilled labour shortages, which despite high unemployment levels have bedevilled specialized areas of industry, are to be tackled in a new programme involving a contribution of "up to £60m" of public money.

The plan, to come into full effect not later than autumn, 1979, aims to discourage a stop-go attitude to training and promote persistence in skill shortages. Companies will receive aid in cases where it is "essential to secure adequate training".

The programme is set out in a Manpower Services Commission (MSC) report, *Training for Skills*, which has received government blessing. The report is the result of inquiries by a task group including representatives of the Confederation of British Industry, the TUC, the education service and industrial training boards.

Mr Booth, Secretary of State for Employment, said the programme was designed to meet the needs of the expected economic expansion in the 1980s. Companies would have to measure up to certain criteria before receiving support, he emphasized.

The report proposes:

1. Each sector of industry and commerce should assess its future manpower needs realistically, and take action to prevent serious skill imbalances developing.

2. The Manpower Services Commission should coordinate action where imbalances in a particular skill would affect several industries.

3. Industrial training boards and other competent organizations should identify cases where they need additional help.

4. The MSC should provide such help once satisfied that it is really required.

A joint statement by the Department of Employment and the MSC said a high priority would be given to setting in hand immediately an industry-by-industry review of skills provision. Industries would be given extra help where essential to secure adequate training.

Special attention would be given to supporting the Government's industrial strategy.

The inquiry was headed by Mr Richard O'Brien, chairman of the MSC, who said the commission would discuss the report with education authorities. Industry now spent £375m a year on first-year craft and technician training.

Training boards and other organizations in industry and commerce will be invited to submit proposals for action to the MSC by autumn next year.

The report says the main obligation "to make the labour market work more effectively" rests with employers and unions, who had it in their power to reach agreement on industrial practices whether at plant, company or industry level. The MSC should intervene only where it was clear that that was the only way of securing important aims.

Christopher Thomas

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Low the markets moved

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The FT index: 486.3 -0.4

Triumph output worth £33m lost in manning and work levels dispute

By R. W. Shakespeare

A strike by Triumph car workers at British Leyland's Merseyside plant entered its fifth week yesterday after week-end talks between senior management, national union officials, and shop stewards had failed to break the deadlock in a dispute over manning arrangements and production levels.

Labour troubles at the Speke, Liverpool, plant and consequent effects on output at the Triumph plant at Canley, Coventry, have cost Leyland lost production in cars worth about £33m over the past 10 weeks, and for the past three weeks all output of both the TR7 and Dolomite models has been at a standstill.

At the Merseyside plant 2,000 workers are on strike and another 1,500 laid off, while at

Canley, which relies on supplies of car bodies from Liverpool, another 2,000 men are laid off from the Dolomite assembly lines.

The TR7, normally one of Leyland's top selling export models, has been the main victim of the latest shopfloor unrest. Output of about 10,000 cars with a showroom value of around £3,000 each has been lost over the past 10 weeks.

The trouble centres on management plans based on studies by industrial engineers to introduce new manning scales and work levels. Shop stewards claim that the company has broken a local agreement by taking a unilateral decision to implement these new arrangements.

However, the company maintains that the decision to go ahead with the plans was taken

only after national negotiating procedures had been followed when it became clear that no progress towards agreement could be made at plant level.

Four weeks ago the 2,000 workers on the TR7 assembly operations walked out, and this led to the progressive lay-off of 1,500 other workers in the body pressing departments.

Last night a Leyland spokesman said: "The Dolomite assembly has had to be stopped for the past three weeks because, although we could make the bodies at Liverpool, we would not be able to get them out of the factory because transport drivers and maintenance men are on strike."

"The latest talks between union officials, management and shop stewards have left us in precisely the same deadlock situation."

Further fall in amount of new hire purchase finance during October

By David Blake

The amount of new credit extended by finance houses and retailers fell in October for the second successive month and at £386m was down £16m from the September figure. There was also a drop in the level of retailers' credit sales, with all kinds of stores seeing a slow-down in business.

To some extent, the latest drop reflects a natural fall back from the sharp increase recorded in August, when the amount of new credit extended rose to £417m, an increase of more than £50m.

Although the figures are supposed to be seasonally adjusted, most of the increase was accounted for by the sharp rise in finance house lending to cover purchases of cars, sales of which traditionally rise in August.

The more recent figures give a truer indication of the level of demand within the economy, where retail sales picked up slightly in the summer but have since given a mediocre performance.

In the three months to the end of October, finance houses extended £557m of credit (up 12 per cent on the previous three months) while retailers extended £648m (up 13 per cent).

Durable goods stores have had slack demand, with an increase

RETAIL SALES

The following are the seasonally adjusted figures for the volume of retail sales and value of new instalment credit released by the Department of Industry.

	Sales by volume 1970=100	Percentage change latest 3 months at annual rate	New credit value £m
1976			
Oct	108.1	+ 3.8	310
Nov	109.2	+ 1.5	332
Dec	108.3	- 1.5	331
1977			
Jan	108.7	- 2.1	324
Feb	108.1	- 11.8	342
March	103.1	- 14.0	349
April	103.4	- 12.7	358
May	103.8	- 4.1	350
June	107.0	+ 4.3	363
July	107.2	+ 10.9	417
Aug	108.2	+ 11.8	402
Sept	105.4	+ 5.0	398

of only 5 per cent in their credit sales in the three months to October, while for department stores the figure is 17 per cent and for other retailers 15 per cent.

Retail sales figures for October have been revised downwards slightly from their first provisional assessment, with the index standing at 105.4 instead of the 106 originally assessed.

BP to spend £32m on energy conservation

By Edward Townsend

British Petroleum is planning to spend £32m over the next four years on energy conservation at the group's oil refineries which, it was predicted last night, could result in annual savings to the company of nearly £33m.

Sir David Steel, chairman of BP, speaking in London to members of the Insurance Institute, said that in addition, BP chemicals was planning to spend £25m on 40 projects aimed at producing further substantial savings.

BP had saved about 7 per cent of its energy expenditure on manufacturing last year compared with 1973, and had set itself a target of a 15 per cent saving by 1980.

Sir David, who described energy conservation as "insurance for the future", said that conservation must mean more than "Save It" campaigns or merely good housekeeping.

"The Department of Energy's renewed campaign to promote energy saving in the United Kingdom marks a growing national awareness that conser-



Sir David Steel: "Insurance for the future."

vation and more efficient use of energy resources is an urgent priority.

Sir David said he did not believe the United Kingdom's resources of oil, coal and gas would keep the country self-sufficient much beyond 1990, unless we used energy more efficiently and brought in new sources, including nuclear power and what we could economically harness from the sun, wind and waves.

China may order more from UK

By Our Commercial Editor

New orders from China for British industry were forecast yesterday by Mr Li Chang, Chinese Minister of Foreign Trade, as he and his trade delegation wound up a week of talks in the United Kingdom and left for a French tour.

Mr Li particularly mentioned the Harrier jump-jet military aircraft: "It is a good aircraft" — in which the Chinese have previously expressed buying interest.

The Chinese are also still interested in Concorde, on which at one time they had buying options for three.

"We will observe Concorde for a few more years and decide on the result of its performance on the scheduled routes", Mr Li said.

He said he had sent briefings on what technology and equipment his country would need from Britain in the future: the priorities being basic industry, energy, electrical power and metallurgy.

Discussions on detailed buying would come later, he added.

Pay claims wait for settlement by key sectors

Settlements totalling 548, covering almost 1.5m employees and representing 6 per cent of the working population, had been received by the Confederation of British Industry's data bank at the close of the 18th week since the end of Phase Two.

Of these 84 per cent had been reached at, or around, 10 per cent. About three out of five had been at 10 per cent, and another 22 per cent had been below that figure. Most of the rest had been made at less than 15 per cent.

It said that claims, which continued to be very high, covered almost 23 per cent of the working population.

The influence of Stage Two was continuing to decline. Evidence suggested that many bargaining groups were holding back until certain key sectors had negotiated, said the CBI last night.

"As far as it is possible to tell only about 40 per cent of those who should have settled by this time in the bargaining year, have done so," it said.

EEC threat to world multibre arrangement

Geneva, Dec 5.—The European Community still insists it will withdraw from the International Multibre Arrangement (IMA) regulating world textile trade, unless it is changed to allow certain import restrictions.

Mr Tran Van Thinh, EEC negotiator, said here today.

Mr Tran spoke after textile inspectors and exporting states had resumed meetings trying to decide on whether and how to extend the treaty, which runs out at the end of this year.

He said he was asked if the EEC's position was to be changed after its negotiations with the principal textile exporting countries.

I told them that there has been no change in our position and that our final position will be determined by the Community's ministerial meeting on December 19 and 20, when the nine foreign ministers gather in Brussels," he added.

The major issue before the 50-nation conference is whether export restraint arrangements worked out over the past seven weeks between the Community and the exporters can be incorporated into the international agreement.

The Community has insisted on export restraints placed on the grounds that the textile industries of its member nations were being seriously damaged by an increasing flood of imports, mainly from Hong Kong, South Korea and other Asian developing nations.

An average annual increase of 6 per cent of developing countries' exports to the advanced consumer nations was provided for in the 1973 treaty. The Community says it has borne the major share of this since the United States had already concluded restraint treaties with its own principal suppliers before 1973.

Developing countries would favour a simple extension without any change of the IMA as it has helped them to develop their first large-scale export capability for manufactured goods competitive with those produced in the industrialized world.

Global trade in textiles last year was valued at about \$50,000m (about £27,778m), and of this exports accounted for by the IMA covered more than 80 per cent, or \$40,000m, with Third World nations the main beneficiaries of recent export growth.

To meet the fate of the treaty is a test of industrial nations' willingness to grant the poorer nations a larger share in world trade.—AP-Dow Jones.

LETTERS TO THE EDITOR

'Unsatisfactory' requirements over directors' standards

From Mr W. Goodhart

Sir, Many aspects of the White Paper, "The Conduct of Company Directors", deserve warm support. For example, the prohibition of insider dealing—proposed in 1972 by "Justice" in a report prepared by its Company Law Committee (of which I am chairman)—is most welcome, and it is to be hoped that these proposals will at least reach the statute book. The White Paper, however, contains one proposal which is at first sight innocuous but is in fact profoundly unsatisfactory.

I refer to paragraph 4 of the White Paper, which deals with the standard of skill and care required of a director. It is commonly assumed that this standard was authoritatively stated by Mr Justice Romer in 1924 in *Re City Equitable Fire Insurance Co*, when he said that a director need not exhibit in the performance of his duties a greater degree of skill than may reasonably be expected from a person of his knowledge or experience.

These words appear to mean that a director is not necessarily required to exercise the skill and care which is needed for the performance of his job. If so, the standard required of a director is much lower than that required for other jobs. A surgeon who botches his first operation or a newly-qualified HGV driver who crashes his lorry cannot plead his own inexperience as a defence to an action for damages, but a director in a comparable situation could do so.

At a time when business management is increasingly regarded as an important profession, this can only be regarded as unsatisfactory. To quote from a memorandum recently submitted to the Department of Trade by the Company Law Committee of "Justice", it is clearly desirable that all directors, whether executive or non-executive, should be expressly made liable for negligence if they fail to exercise the degree of skill and care which is reasonably required for the proper performance of the tasks which they are called upon to carry out.

But, according to paragraph 4 of the White Paper, the Government does not propose

to raise to an adequate level the standard of skill and care required of a director. It does not even intend to leave Mr Justice Romer's formulation alone, in which case it would at least be subject to review by the courts. It actually proposes to codify that formulation by writing it into a statute. This is so surprising that one seeks for some explanation. Is it being unreasonably suspicious to assume that what is behind this proposal is the Government's view of the capabilities of employee-directors? If so, one must conclude that a Government which is committed to the eventual introduction of employee-directors is not satisfied that there will be enough people available who have the knowledge and experience required to do the job.

"Justice" is a non-party organization which has not expressed and does not intend to express any views on the merits of the Bullock Committee proposals or any other proposals for the introduction of employee-directors, and I must make it clear that I am not writing on behalf of "Justice". It would be regrettable, however, if the Government were to allow fears of possible implications for the appointment of employee-directors to induce it to enshrine in a statutory code the present unsatisfactory law on directors' duties of care and skill.

Yours faithfully, WILLIAM GOODHART, 3 New Square, Lincoln's Inn, London WC2, November 30.

From Mr R. Wood
Sir, The present discussion regarding company reform in general and insider dealing in particular is in danger of getting out of hand. The following factors need to be emphasized:

First, the assumption that so-called insider dealing results in the emassing of vast profits is naive and unrealistic. In practice, for every profit that is made in this way there is a corresponding loss on information that proves to be incorrect, while in many cases favourable announcements are often anticipated and, sometimes, are more

than fully anticipated so that on the awaited announcement share prices actually fall.

Secondly, in so far as the element of social and economic abuse is concerned, any such transgressions in this respect consist of isolated individual cases in which, as explained above, as often as not, losses and not gains ensue. This compares with the consistent abuse of monopoly power organized on a massive scale by trade unions of which the latter example is the overtime ban by the Tyneside shipworkers.

Both the Wilson Labour Government and the Heath Tory government, in response to well-defined public opinion, endeavoured to make the anti-social activities of the trade unions subject to the law, but both governments failed to achieve their object which is a reflection not of the validity of the trade union case but of the extent of the abuse of power exercised by this institution.

Thirdly, it is therefore entirely unacceptable that the main pressure for making insider dealing a criminal offence should come from left-wing trade union sources who represent the very institution they in need of reform and legal restraint.

On the other hand, it would be paradoxical if the activities of people such as investment analysts, who are the watchdogs for both institutional and private investors, should be threatened by an ill-conceived law in their endeavours to assess the merits of particular companies.

It must be emphasized that such people are highly trained and skilled professionals who visit companies, not with the intention of gaining privileged information, but in order to apply their experienced judgment and expertise to information regarding trading activities which can in no way be described as privileged. It would be a retrograde step if people such as these were in the future to have their legitimate activities subject to such constraints.

Yours truly, RUSSELL WOOD, Kennet House, Kennet Wharf Lane, Upper Thames Street, London, EC4V 3AJ, November 29.

American tax cuts of \$115,000m forecast

Washington, Dec 5.—The United States will have to hand out tax cuts of up to \$115,000m (about £62,152m) a year to sustain the economic recovery and lower unemployment over the next five years, the Congressional Budget Office said today.

The report gave indirect, but strong support, to President Carter's expected call for substantial tax cuts next year.

The independent Congressional agency said in a five-year projection that tax cuts or large Federal spending programmes would be needed to offset expected drags on the economy.

It said that budget income will rise faster than outlays, taking money out of the economy and thus impeding

achievement of national economic goals, which include a growth of the real gross national product at about a 4.8 per cent rate, and a gradual reduction of unemployment from 6.9 per cent now to 4.5 per cent.

By the 1983 financial year, the agency said, a tax cut of \$115,000m a year would be needed to offset what it called the expected "fiscal drag".

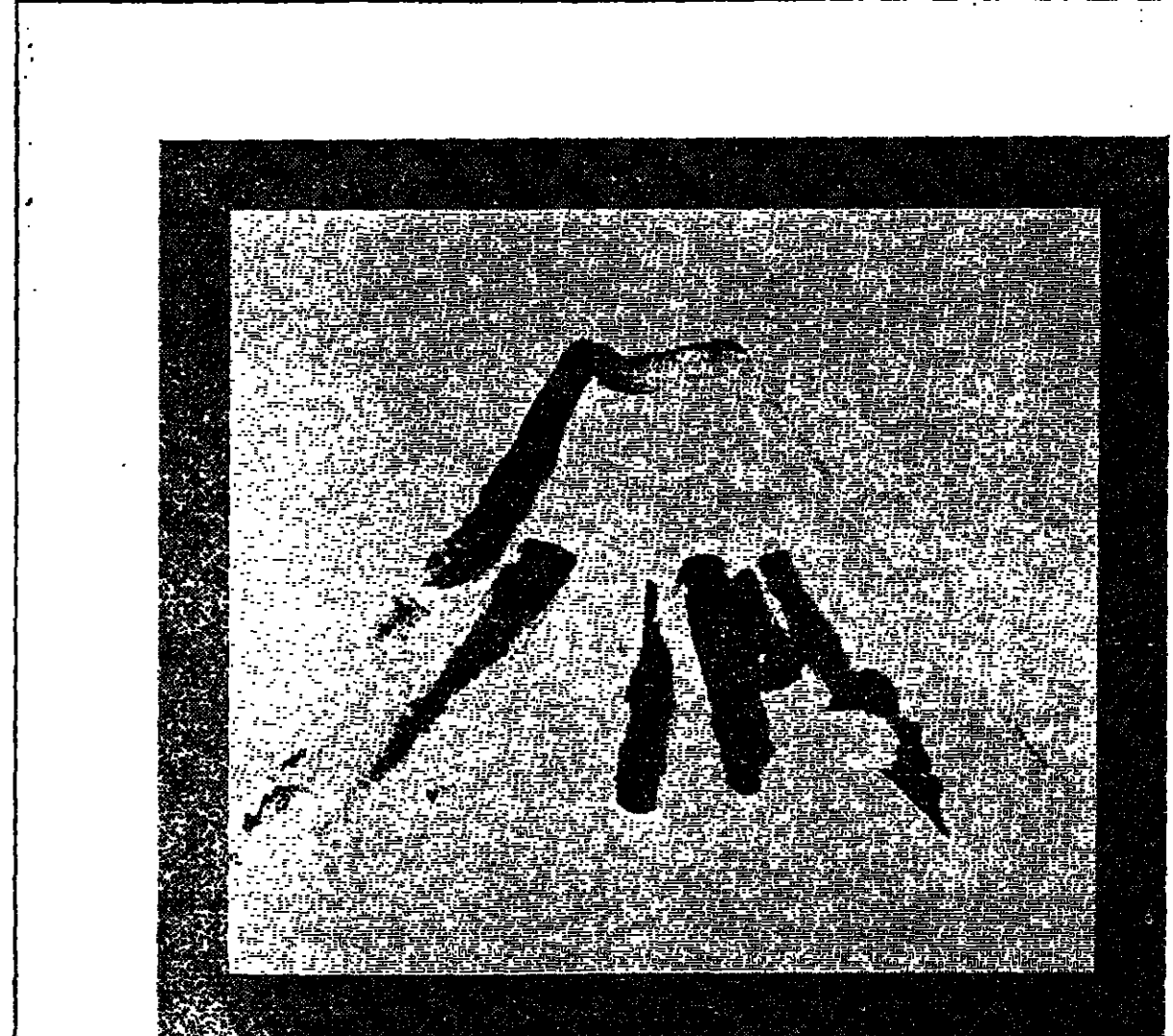
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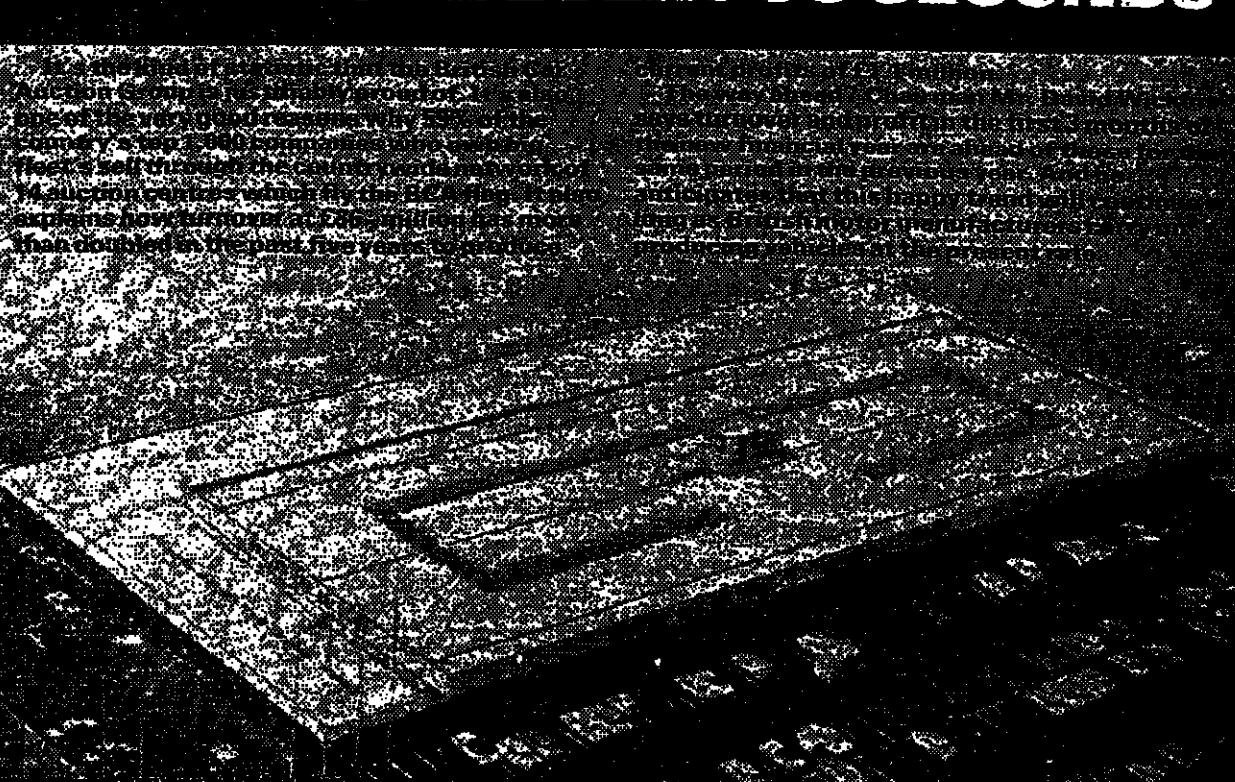
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BY THE FINANCIAL EDITOR

What is the NEB's philosophy?

Its castigators have already shown horror at the National Enterprise Board's successful outbidding of Trafalgar House to get control of Fairley's British assets. It is the NEB's first full-blown bid against a rival bidder from the private sector, and the vision of the NEB mobilising its millions of taxpayers' money to take out a business already presented with an alternative solution is one calculated to stimulate outrage in the private sector.

In fact this deal is not such a novelty. The NEB has already been involved in a bid battle with Guinness, White & Carter, although admittedly it did not make a full counter offer: it has always been its philosophy to invest in profitable concerns as well as the lame ducks dropped in its lap by the Government. The exit price earnings ratio of just under 9 is by no means profligate, and the margin by which it has

being highly dependent on South Africa and up against increasingly stiff competition from much larger companies in Europe, can—on these figures—both survive and grow.

This poses a problem for Johnson & Firth Brown whose 20 per cent holding must be burning a hole in its pocket having seen one bid, which would have given a handsome profit, pass out of the window. But Osborn shareholders may still need to be convinced that this level of profits is sustainable: the improvement, coming in such a short time, is quite remarkable. At 75p up 2p, the shares yield only 5.2 per cent, which even on this performance, still provides scope for speculative possibilities.

● The Bank of England may have it within its power, for a short period at least, to influence domestic interest rates, but the Eurosterling market, a highly sensitive indicator of what foreigners holding sterling think of developments in the United Kingdom, is another matter. During the past few days the market has been showing in no uncertain fashion how dubious it is about the Bank's interest rate tactics, and yesterday Fisons was obliged to raise the coupon on its sterling Eurobond issue from 10 to 10½ per cent and it looked very much as though Courtalds might have to do something similar with its 9½ per cent issue.

It is an inauspicious start for a market that has been full of promise during the past few weeks for both issuers and investors. Selling was developing last Wednesday and by Friday the market was in full swing. The Finance for Industry issue, priced on Friday, was particularly hard hit, reaching 96½ last night compared to an issue of 99½ where it yields 10½ per cent.

The first point to make is that investors evidently believe that, in spite of the Bank's restraining action, interest rates here are headed upwards. The second, and potentially more important point is that the rapidity of the setback and the evident willingness of investors to get out at the first sign of trouble, raises real questions over the underlying strength of investment demand for sterling Eurobond issues.

Harrisons & Crosfield

A challenge in plantations

Having already beaten off one attack this year on part of its empire then it was Golden Hope which was under attack—Harrisons & Crosfield is now facing another threat. This time it is by way of a bid for Malayan Plantations from McLeod Russell.

McLeod, which already owns or has options on 29.99 per cent of Malayan, is bidding 23p a share, valuing the entire company at £6.25m. With H & C and associates controlling 23.64 per cent and Malayan (whose chairman, Mr Frederick Harper, is on the H & C board) rejecting the bid, the City is expected to eventually increase offer and the shares rose 2p to 24½.

Malayan's situation is complicated as it prepares for Indianisation since it is a hybrid company spanning both tea and rubber plantations.

In the absence of a defence document, Malayan shareholders are going to have a difficult task of trying to assess the bid since the remittance of dividends from India is irregular in both size and timing, while the valuation of assets is not easy.

Malayan is important to H & C since it controls some 2.8 per cent of Harrisons & Crosfield's assets. Two other companies have similar minority holdings—London and Samatra and Harcross—bring the holding up to around 10 per cent. If all three companies were taken out of the H & C camp it would make an awkward dent in H & C's control of HME which has still yet to reach full agreement with the Malaysian authorities on changing domicile.

During four months of abortive talks that followed McLeod's acquisition of the Malayan stake, the possibility of selling the HME stake back to H & C was raised although McLeod appears to have been holding out for a higher value than the then stock market value. However, that did not get very far since H & C was unwilling to sell Malayan out of its grasp in the first place.

The bid does appear to have exposed a damaging gap in the minority cross holdings in the H & C empire.

Sections of the Employment Protection Act on which the TUC probably placed greatest store, those dealing with trade union claims for recognition, have resulted in such a tangle of law suits and so much fruitless argument between the Confederation of British Industry and union leaders that there is talk about the desirability of repealing them altogether, particularly among those responsible for implementing their provisions.

The TUC is concerned because in some respects the clauses threaten to override its own procedure for settling disputes between unions, the so-called Bridlington procedure. The CBI complains that the way the Act is being interpreted by the Advisory, Conciliation and Arbitration Service (Acas) is increasing trade union fragmentation and has resulted in loss of confidence among employers in the impartiality of the service. It is pressing for agreed criteria under which claims should be decided.

Both the TUC and the CBI have nominees on the council which runs Acas and in the few meetings have been devoted largely to arguments about recognition cases. Next week the council will meet again for full discussion of the CBI demand for fixed criteria, though with little prospect of agreement. Meanwhile, at least one private member's Bill to amend the clauses will soon be presented to Parliament by a left-wing Labour member.

The seventh writ this year challenging the legality of recognition claim handling was served at the Acas office in Westminster last Friday. The Law Lords are meanwhile expected to give their verdict at last on the most publicized case, arising out of the Grunwick dispute, before Christmas. The Act is subject under the Act, if a claim for recognition for the purpose of collective bargaining is referred to it and cannot be settled by conciliation, to consult all the parties

involved and to find out the opinions of the workers affected before making a report. The Grunwick case arose because Acas could not, and therefore did not, consult all the workers.

The latest writ, issued by a non-TUC union, the United Kingdom Association of Professional Engineers (UKAPE), questions a decision by Acas not to recommend recognition by an engineering company, although there was strong support for it among the workers. Of the other five writs one affecting the Legal and General Assurance Society was followed by court action which Acas lost. The other actions are still pending.

Besides these there was a threat of legal action by the Engineers and Managers Association (EMA) to force Acas

to deal with recognition claims for certain classes of engineers at a GEC plant at Whetstone. A TUC disputes committee ruled last March that the EMA contravened a Bridlington principle by organizing at Whetstone, where the technical and supervisory section (Tass) of the engineers union already had some members.

Its finding was not only that the EMA should stop recruiting and advise its Whetstone members to join Tass, but also that it should not proceed with any claim for recognition for the staff concerned.

The EMA refused to accept this and applied to the courts for an injunction to stop the

TUC from taking disciplinary action against it. Section 118 of the Employment Protection Act declares void any provision in an agreement which precludes any person from making a reference to Acas.

The TUC gave an undertaking not to take disciplinary action on these grounds and the EMA is now hoping that the Acas council will decide to deal with its case at its meeting next week, which could make further legal action unnecessary.

Claims by EMA for recognition in the nationalized shipbuilding and aeronautical industries have still to come to a head.

The TUC is disturbed by the discovery that the Bridlington principles can be overruled by the Act. The November meeting of its employment policy committee discussed a paper which supported Acas recognition procedures and drew attention to Acas successes, but expressed concern at the growing use of the law. It argued strongly against attempts by the CBI to make a recommendation upon a union securing majority support among the workers concerned.

The TUC general council was already disturbed by the temporary suspension from membership of the Transport and General Workers Union because some of its draymen members had not implemented a disputes committee finding that beer should be delivered to the Fox and Goose hotel in the Midlands.

The handling of inter-union disputes will be among the first questions to be taken up by Mr Kenneth Graham, one of the two newly appointed assistant general secretaries. It was widely supposed that the creation of the new offices was intended to widen the field from which a successor to Mr Len Murray as general secretary might eventually be drawn, but it represents a more basic development in the TUC structure.

Mr Murray has clearly felt



Mr Kenneth Graham, one of the TUC's newly appointed assistant general secretaries, who will be looking into the TUC's procedure for settling inter-union recognition disputes.

that the implications of the vast new responsibilities which the TUC has undertaken in the past few years are more than he has time to handle.

So, relieved of detailed departmental work, Mr David Lea will be free to give his mind to such matters as the social contract and the nation's economic strategy and Mr Graham to the new issues which have arisen in inter-union relations, partly as a result of the Government's labour legislation.

He has been asked to consider how the Bridlington principles can be made to stick in spite of the law, now that inter-union differences are much less frequently concerned than in the past with recruitment and recognition, particularly of white collar workers.

He will lay a lot of emphasis

on settlements by conciliation rather than references to disputes committees and may on occasion take the initiative in bringing unions together where they have a history of disagreement.

The banks and commerce and white collar organizations in the engineering industry are obviously fields which require his attention. His new status will not doubt help him in his meetings with union leaders.

The CBI wants changes in sections 11 to 16 of the Employment Protection Act, which deal with recognition and the TUC may well decide that changes are needed either in the Act or in the Bridlington principles, or both. But neither is at present talking about abolishing those sections. It is the officials of Acas who wonder how long they can go on working in the middle of a legal minefield.

They are charged under the Act to promote the improvement of industrial relations and to encourage the extension of collective bargaining, but these are cases where the two objectives are mutually exclusive. When they refused to recommend the recognition of URAP, although the staff, concerned wanted it, it was because they thought it would worsen industrial relations in the engineering industry.

On the other hand they have sometimes recommended recognition for small groups of workers where the known support has seemed to employers to have been insufficient.

If eventually it is decided that sections 11 to 16 in their present form are doing more harm than good, the TUC will certainly demand that something be put in their place, but never intended them to be used to deal with inter-union disputes and that was why employers are not empowered to make use of them—another CBI grievance. But the TUC wants a legal means for unions to secure recognition where it is denied them.

Blurred vision on union recognition

Eric Wigham

a tangle of law suits and so much fruitless argument that there is talk about the desirability of repealing those sections of the Act altogether

The shadow of Sindona over Banco di Roma

The troubles at Banco di Roma are not a typical banking crisis, but represent the latest chapter in the still unfinished Sindona saga, Italy's biggest politico-financial scandal since the war. There has been no sudden loss of deposits, no fears of misappropriation of customers' funds.

In fact, the investigating magistrate is looking into allegations that the management did too much for clients, in particular ones at least—by allowing those who had allegedly exported funds to be reimbursed on the eve of the Sindona collapse.

When led to the suspension of the two joint managing directors, Signor Mario Barone and Signor Giovanni Guidi, was their failure to produce to the Milan magistrate a list of more than 500 accounts with another Sindona bank, the former Banca di Genova. These accounts, it is maintained, belonged to customers of the Sindona banks in Milan, whose lists had been given to Finabank for conversion into foreign currency, then returned to Italy.

Since these now figured as foreign funds, the allegation goes, most were reimbursed shortly before the crash.

All this happened in late summer 1974. Banco di Roma, Italy's fourth biggest bank and a member of the vast parastatal Istituzioni per la Ricostruzione Industriale (IRI), has by then taken control of Signor Michele Sindona's main Italian banking and property interests.

When public confidence in the United States was already faltering, Signor Sindona's Franklin Bank Banco di Roma decided to support him for reasons which are not entirely clear, but which owe much to

Professor Ferdinando Ventriglia, then deputy chairman of Banco di Roma, advanced Signor Sindona \$100m and \$3,500m lire (about £42m) against control of his two Milan banks Banca Privata Finanziaria and Banca di Roma. It was those last weeks before liquidation into Banca Privata Italiana and ownership of his almost 40 per cent controlling shareholding in the international property company Societa Generale Immobiliare.

For the magistrate, the list has been a will of the wish. Everyone knows about it, but no one has had it on his desk.

The obvious difficulties in the search have encouraged speculation that it may contain political dynamite. An extreme left-wing newspaper published names claimed to be on it, including several politicians, businessmen, a magistrate and a medical specialist.

The only hard evidence came from an admission in a press interview by Signor Mauro Leone, son of President Giovanni Leone, that the presidential family had had four personal bank accounts with the Rome branch of Banca Privata Finanziaria.

The Quirinal Palace has, however, denied any involvement of the President in improper activities.

Whether the list is ever run to earth, the affair has proved damaging for Banco di Roma, which faces the task of restoring its image. It has been embarrassing for top executives to have their passports withdrawn and be unable to travel abroad, and the bank's business. Signor Barone also had the unwelcome experience of spending 24 hours in jail for

alleged recidivism before the magistrate.

The bank's immediate reaction was to extend the powers of the chairman, Signor Leopoldo Medugno, to strengthen the executive committee and—only two days before it had issued a denial of any irregularities—to set up an internal inquiry.

Will these steps be enough? Even if they are, the inquiry will do little to restore the trust that the malaise is not limited to one bank but is widespread throughout public sector economic and financial structures.

An encouraging sign, at least, is that efforts are being made to end the practice of treating top banking posts as something for backstage party political bargaining and that parliament will in future first have to be consulted about them.

Nor has the Banco di Roma affair improved the image of

IRI. Besides the financial difficulties of some of its leading member companies it has had its share of scandals, ranging from the flight abroad of Signor Camillo Crociani, former head of the Finmeccanica engineering sector, to charges pending against top executives of the shipping sector.

What further chapters in the Sindona story have yet to be told? Banco di Roma still has a residual share in Societa Generale Immobiliare, whose survival remains in doubt.

The company, which by the irony of coincidence built the Watergate complex in Washington, has steadily accumulated losses and debts to a pre-occupying level. Banco di Roma first ceded most of its holding to a group of Roman building contractors, but the problem was too big for them.

Unsuccessful attempts were made to negotiate the entry of the cooperative movement and

then of Texan interests associated with Mr John Connally, the United States politician and financier.

The latest rescue reports are linked with the name of Signor Carlo Pesenti, the Bergamo banker and cement industrialist, but their outcome is uncertain.

Then there is the question of whether Italian justice will ever bring Signor Sindona to trial, along with his former right hand man (with whom he has fallen out), Signor Carlo Bordini, now lying in a Venezuelan jail. Signor Sindona lives in an hotel in New York, where he is fighting a two-year-old Italian charge that he should be extradited on charges of fraudulent bankruptcy, arguing that he is the victim of political persecution.

John Earle

Samuel Osborn

Why Weir went away

It is easy to see from Samuel Osborn's full year results why the group failed to reach agreement on terms for a take-over from the Weir Group. Osborn was expected to make about £2.4m profit, but the actual instead of the published outcome is £3.4m, and Weir's calculation were almost certainly based on the lower figure.

Nearly all the Osborn gain has come from the steel activities, which, by rights, and in comparison with every other steel company, should have been having to pull all the stops out, even to stand still. In the event, trading profits have risen from £273,000 to £1,531,000, so that the profits in the second-half alone were more than £1m.

The explanation apparently is that the Ecclefeich plant, which the group moved into some five years ago, has at last paid off in terms of productivity, with higher volume, and lower unit costs bringing big benefits.

Thus a company which looked hard pressed to survive as an independent unit

Business Diary: Novel villainy • Scrooge in Brussels?

Rosa Davies, Business Diary's editor, went to yesterday's Whitbread Literary Awards in London.

It's ironic that Edward Freeman, the hero of Beryl Bainbridge's best-selling novel, *Injury Time*, should be an accountant.

Miss Bainbridge, who yesterday won the £1,500 Whitbread prize for fiction, may also know for some time whether she can keep the money—as can a pool of winners—whether Sir William Pile, chairman of the Board of Inland Revenue, will take much of it from her.

Sir William and I should have thought a former under-secretary at the Department of Education and Science would have known better: is having little success in stopping accountants from getting away with hundreds of millions of pounds through artificial tax avoidance schemes for companies and rich individuals.

The revenue men are, however, seeking to recoup a little self-esteem, if far less cash, by putting in the boot for some seemingly productive people—to wit, authors.

As my brother diarist Anthony Holden, *Antics of the Antipodes*, recently pointed out, the *Times* Revenue came in the case of a former Whitbread winner, Andrew Boyle, they want a cut of his 1974 prize for *Poor, Dear Britain*, appropriately enough the biography of the founder of the *Financial Times*, Brendan Bracken.

Miss Bainbridge received her cheque in London yesterday, as did Sir William Macdonald for her children's book *No End to Yesterday* and Juliet Nicolson on her father, Sir Nigel Nicolson, for *My Father, Mary Curzon*.

The cheques were presented by the chairman of Whitbread, Alex Bennett, who declared that he had read none of the books, but his wife had.

I asked Miss Bainbridge why she had made her hero an accountant, a member of a profession not markedly attractive to practitioners of fiction.

"To be writing about 'accountants'," she said, "is never write fiction, you see."

■ The EEC Commission, ever eager to prove that the common agricultural policy is a flexible and accommodating instrument, has tried to turn complaints about the butter "mountain" on their heads.

It has replied to those who demand that surpluses should be sold cheaply to consumers inside the EEC, instead of to outsiders like the Russians, by subsidising a drastic price cut. It has answered those who condemn its plan to make margarine as dear as butter by making butter as cheap as margarine.

The result is "Christmas butter" a chunk of 72,000 tonnes from the Community's over-largening surplus, which shoppers all over Europe—with one important exception—can buy until the middle of January. A regulation which says that the words "Christmas butter" must be stamped on every packet is now in operation and causing alarm throughout the butter trade.

Traders fear that the presence of butter carrying a subsidy worth 18p a pound on sale next to normal shop supplies will merely disrupt the Christmas market and encourage hoarding by families with freezers. The move will cost the Com-

munity budget 52 million units of account, or more than £30m. The only snag is that Britain is left out. The Community is already spending 59 million units on a scheme which leads to a subsidy worth 8p a pound on all EEC-produced butter sold here.

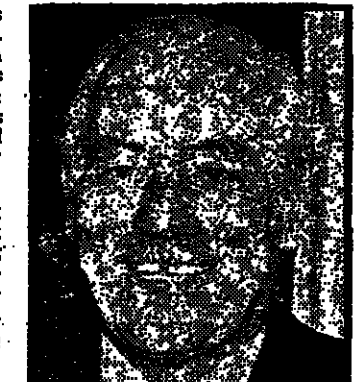
■ Problems surrounding Britain's £115m shipbuilding contract with Poland, ranging from labour unrest to complaints about subsidising "communist orders" and calls for a Parliamentary inquiry, are not, apparently, reaching the ears of the Poles themselves.

According to Andrei Kono-packi, press counsellor at the Polish embassy in London, the order is "one of a series" and has not aroused much interest or emotion in Warsaw.

The widespread reporting of difficulties such as the overtime ban at Swan Hunter was, he said, "a typically British syndrome." It had become a suspense story true to the British character but nobody was making a fuss about it in Poland.

Reports that Poland was demanding as a condition of the contract assurances about labour relations were not true. "It is a contract with specific terms of delivery but the whole issue has been overblown. The internal relations between British shipbuilders and the unions are not our affair."

Business Diary also spoke to W. Kornacki, Polish radio and television in London, who confirmed that he had reported the official signing of the contract in London. He told his Polish audience that the orders would help to solve some of the unemployment problems in



Unilever's Sir David Orr yesterday: who needs exchange controls?

Britain and that both sides would reap some benefits.

But he had not reported any of the subsequent events because nobody in Poland would be interested.

■ There is obviously no chance of the Hambro Businessman of the Year award ever going embarrassingly to a high-flying newcomer whose wings might melt while the handsome silver trophy still stands freshly on the sideboard.

The eighth winner of this very establishment accolade is Sir David Orr, chairman of Unilever Ltd and deputy chairman of Unilever NV, who is one of the three-man Special Committee which runs the Anglo-Dutch multinationals.

Sir David's career has been all solid achievement since 25, with a first-class arts degree from Trinity College, Dublin, and a law degree in his pocket, he joined Unilever as a management trainee.

Sir David had flown in from the United States to collect the

award in London yesterday. Talks are apparently going on into Unilever's possible takeover there of National Starch and Chemical. "We may have something more to say soon," Sir David said.

His thank-you speech at the Savoy seemed apt enough to the circumstances. He said that with the chance offered by North Sea oil, Britain no longer needed exchange controls.

Overseas investment must be made free again, because contrary to what the trade unions particularly were afraid of, investment abroad did not mean less investment at home.

He supported the familiar argument that overseas investment could create jobs at home by pointing out that this year Unilever was exporting some £400m worth of goods from the United Kingdom—more than half of it the result of investment abroad.

He added: "We have never in Unilever turned down an investment in the United Kingdom because we wanted the money to invest somewhere else."

One by-product of the hard times on which brokers and jobbers have fallen in recent years has been a "serious" depletion of the ranks of the Stock Exchange made voice choir. An appeal was circulated to exchange members yesterday by Nicholas Goodison, Stock Exchange chairman, who is president of the choir. The choir will be able to present the annual Christmas concert at Carpenters' Hall tomorrow night, but recruits are needed now. He who would volunteer, let him come hither. Or is this an argument for bringing in more women?

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(A company wholly owned by the National Coal Board Pension Funds)

Offer for the Ordinary Shares of

THE BRITISH INVESTMENT TRUST LIMITED

The Offer will close at 3 p.m. on Monday, 12th December, 1977 and cannot be extended. Ordinary Shareholders who wish to accept the Offer should therefore note that the final time for acceptance is 3 p.m. on Monday, 12th December, 1977 and are accordingly strongly urged to accept without delay.

In the event of the Offer becoming unconditional accepting Ordinary Shareholders will be entitled to receive for each of their Ordinary Shares of The British Investment Trust Limited:

a guaranteed minimum cash price of 165p

or,

if the formula value is higher on 12th December, 1977 and the Offer is declared unconditional, a higher cash amount.

■ 165p is the highest price paid by Black Diamonds Pensions Limited for Ordinary Shares of The British Investment Trust Limited.

■ The market value of the Ordinary Shares of The British Investment Trust Limited on 23rd November, 1977* was 145p x d.

■ Wood, Mackenzie & Co., stockbrokers, have estimated the values of the Offer at the close of the first dealing day of each of the six months preceding the announcement of the Offer. These produce an average premium over the middle-market values of the Ordinary Shares of The British Investment Trust Limited on those dates of more than 25 per cent.

The Board of Black Diamonds Pensions Limited and its financial advisers, S. G. Warburg & Co. Ltd., remain firmly of the opinion that the Offer is generous and attractive, particularly so following the inclusion of the guaranteed minimum cash price of 165p per Ordinary Share. Ordinary Shareholders of The British Investment Trust Limited are urged to accept without delay.

*The day before the announcement of the guaranteed minimum cash price in the Press.

This statement has been issued by S. G. Warburg & Co. Ltd. on behalf of Black Diamonds Pensions Limited. The Board of Black Diamonds Pensions Limited has taken all reasonable care to ensure that the facts stated and opinions expressed herein are fair and accurate and all the Directors jointly and severally accept responsibility accordingly.

Frustrated BP issues ultimatum over Sardinian protein plant

From John Huxley
Cagliari, Sardinia, Dec 5

British Petroleum officials said today that the company is looking at alternative uses for a £30m plant built in Sardinia to produce topina protein.

The 100,000 tons per annum plant should have come on stream 18 months ago, but is still not being allowed to operate by the Italian authorities. Mr Hector Watts, managing director of BP Proteins, said that the plant, to produce protein for animal feedstuffs from n-paraffins separated from crude oil, is now costing £10m a year to finance and maintain. "In the interests of our shareholders we cannot go on like this much longer."

He confirmed that the company is giving serious consideration to pulling out of Sardinia if approval for production is not indicated within the next two or three months. The January 31 deadline set after fruitless meetings with the Italian authorities in the summer still stood, he said.

Mr Watts also said that BP lawyers are now investigating the possibility of taking legal action against the Italian authorities if BP is forced to liquidate the plant. At Sarpore, controlled by Italproteine SPA, a 50-50 venture between BP and Anic, the petrochemical arm of ENI, the state enterprise company. The prospects for alternative use or dismantling for removal to another site are limited. The company has more than its share of £40m (less about £4m if the project goes ahead) tied up at Sarpore.

"A whole new technology which could make an important contribution to the hungry world may have to be abandoned if this plant is condemned to inactivity much longer," Mr Watts said.

Already delays at Sarpore have caused the postponement of an agreement signed by BP last year to use its technology in a £20m plant in Venezuela. Studies have been made with Saudi Arabia and Kuwait and approaches have also been received from the Soviet Union and China.

Mr Chris Green, BP Proteins' commercial manager, said that the market for protein knowledge is substantial, but that countries are unlikely to buy because it is still a new technology.

The project began in 1972 with the backing of the Italian government, which offered grants and favourable loan terms. The production and marketing of topina has been approved in Italy on the basis of a decision from the Italian ministries of health, agriculture and industry.

Building began at Sarpore in 1974 along the lines of a demonstration unit with a production capacity of 40,000 tonnes per annum at Grangemouth. In February last year, however, the health authorities suspended approval for the sale of topina pending further testing. Eight months later approval was given for the plant to operate at the reduced level of 40,000 tonnes per annum, although the ban on product sales continued. Production was then again

suspended, pending plant modifications which, say BP, the authorities have not specified. The doubts raised in Italy, the company says, have been considered by various international authorities, all of which have affirmed the safety of the product, which has been included in the draft directive issued by the EEC concerning suitable animal feedstuffs.

Despite the importance to BP of the Sardinian venture, the company is in earnest in its stated intention to withdraw. The patience of the officials is exhausted, Mr Watts said. The company cannot continue indefinitely to bear the burden of tangible losses in the hope of future benefits. Neither is it convinced that the Italian authorities are withholding approval for the reason so far stated.

The stated objections, say BP, are to the product (it has been claimed for instance that paraffin residues found in pigs fed on topina are too high) and to the process (the authorities are worried by dust emission from the plant).

On the first count, Mr Watts points out that n-paraffins are permitted in much higher concentrations in feedstuffs for human consumption. On the second, he says that the plant meets fully every known requirement, and is in any case far freer from dust than say concrete plants.

Mr Green added: "We have been through all the right procedures and have got all the necessary approvals. Then they started raising new objections."

Hitachi denies loss of interest in assembly factory on Wearside

By Derek Harris
Commercial Editor

Hitachi, the Japanese electronics group, last night strongly denied any intention to withdraw its application to the Government to establish a colour television assembly factory at Wearside, in the North-east of England.

Hitachi's plan has caused increasing controversy as fears have grown of a net loss of jobs from setting up the factory. As a result the Government has delayed a decision on the Hitachi application until talks are completed with both the domestic electronic components industry and the trade unions.

As these talks continued yesterday reports were circulating in the North-east that Mr Peter Viggers, Conservative MP for Gosport, had claimed in his constituency that Hitachi did not intend to move to Wearside. Mr Viggers was reported to have made the comment while visiting the Thorn colour television factory in his constituency.

Mr Viggers said last night that he had been given to understand by a source he believed to be reliable that Hitachi did not now expect or intend to pursue its application to establish in Wearside.

He had understood that it was reconsidering the whole matter and might make a subse-



Mr Viggers: Information given to him in good faith.

quent application to start a factory elsewhere in Britain.

He had not discussed the matter directly with Hitachi but the information had been given to him in good faith, Mr Viggers added.

A Hitachi spokesman said last night: "The company has been given a reprieve for at least three years. Mr John Sutton, managing director of the Forth Ports Authority, said yesterday that the Methil Docks in Fife, rumored to be about to close, would be kept running, although they would be operating at a loss."

He told a Press conference in Glenrothes that a petrochemical complex may be built in Mossburn, central Fife, and the port may be needed to bring in materials and equipment by sea.

27,800 new dwellings completed in October

Builders completed 27,800 houses and flats in Great Britain during October, a slight drop from the previous month's total, but some 2,000 better than in October, 1976. Figures released yesterday by the Department of the Environment show that starts were also down on the previous month, but the October total of 24,600 was 3,100 up on the comparable 1976 period.

Taking three month totals to reduce the effects of month to month fluctuations, and discounting seasonal movements, starts in August to October were up 2 per cent on the previous three months, May to July, but were 8 per cent lower than August to October a year ago. Completions were 5 per cent up on the previous three months but 1 per cent lower than a year ago.

Loss-making port gains reprieve

A Scottish port which made an £80,000 loss this year has been given a reprieve for at least three years. Mr John Sutton, managing director of the Forth Ports Authority, said yesterday that the Methil Docks in Fife, rumored to be about to close, would be kept running, although they would be operating at a loss.

He told a Press conference in Glenrothes that a petrochemical complex may be built in Mossburn, central Fife, and the port may be needed to bring in materials and equipment by sea.

EEC production rises slightly

Brussels, Dec 5.—Industrial production in the European Community in September rose slightly over the two previous months, breaking the downward trend which began last summer, the Community statistics office said today.

The index of industrial production (base 1970=100) was a provisional seasonally adjusted 116.3 in September against 115.9 in July and August.

A slight rise in production of consumer goods has broken the previous falls while production of capital goods and products for further processing is still falling.—Reuters.

Post Office review by Carter Committee 'omits important issue'

Computer news

Concern that the important topic of the convergence of telecommunications with computing was not debated in the Carter Committee's review of the Post Office has been voiced in a joint statement by the British Computer Society and the National Computing Centre.

It is important to question the very basis of the Post Office monopoly, the two organisations say. Real progress is to be made for the provision, exploitation and use of appropriate data-communications services.

They argue that the Post Office should continue to hold a monopoly as a carrier, but that the contention of any "conforming" equipment to the Post Office network should be allowed. Switching by either the Post Office or a user should be permitted.

The Post Office can never be aware of all the factors that may make it useful to switch and redirect traffic, the joint submission says. The existing switching monopoly inhibits the development and exploitation of socially useful technical possibilities.

The two organisations also believe that it is essential for there to be a firm commitment to a public switched digital data network by the early 1980s, and for such a network to be fully compatible at least with those in Europe and North America.

In the joint submission the BCS and the NCC point out that the "general licence for message-conveying computers" (prepared under Section 27 of the Post Office Act 1969) requires that a language or code comprehensible to the Post Office is used and that the Post Office can inspect the computer's messages and records of messages being conveyed.

These requirements, the two organisations suggest, are not in keeping with the current climate of opinion on matters of privacy and are not easily justifiable "unless one thinks in terms of protecting the existing monopoly".

Bearing in mind both the needs of users and the proposed changes in technology over the next 20 years, the society and the centre are concerned that Post Office policy and any restructuring will need to be "carefully evolved". These policies will have very considerable implications for all organisations concerned with data processing.

CAP growth continues

The mass market era for microcomputers has arrived but so far has had little impact on data-processing departments and others heavily dependent on software, according to Mr Alex d'Agapeyeff, chairman of Computer Analysts & Programmers.

New vendors, users, applications and methods have emerged, but their effect on established computer usage has been to question rather than to replace existing practices.

Mr d'Agapeyeff was introducing the CAP group's annual results for 1976-77 (published yesterday), which show that, including the Computer Program Products sales, turnover for the year rose by 94 per cent to £6.5m.

Pre-tax profit rose from £273,000 to £353,000. Turnover for 1977-78 would exceed £8m, the chairman forecast. Total staff numbers had increased from 500 in December, 1975, to 600 in December, 1976, and 700 in December, 1977.

Market reports

Despite the impact of rival concepts such as distributed processing and small business systems, the "mainframe" computer will remain the dominant element in the Western European data-processing market, according to the Pactal consultants in London.

The value of mainframe systems shipped in 1977 was 4.1 times that of computer terminals; and 1.5 times that of total software and services sales; and 1.4 times that of the combined shipments of minicomputers and small business systems.

Major United States suppliers account for an overall 84.4 per cent of the market, on the basis of installed base, by value, for 1977.

These figures are taken from Computer magazines, the first in a series of market reports which are being published by Pactal. Nine other subjects are covered, ranging from microcomputers to business communications; all 10 reports will be updated annually.

Kenneth Owen

Indonesian oil discovery is confirmed

Hudson's Bay Oil and Gas announces that the operator (Iapca) has successfully completed testing Pertamina-Iapca Kartina number two in the south-east, Sumatra continental area of Indonesia, it was reported in Calgary, Alberta, yesterday.

The well flowed at a sustained rate of 2,544 barrels of oil per day from a steel test well located about 13 miles from the shore within the Talang Akar formation.

Kartina number two is a confirmation test to the Kartina number one discovery well located about 13 miles from the shore. Drilling by parties holding adjoining properties is also under way.

British Franchise Association sets up code of trading ethics to aid entrants into rapidly growing market

By Patricia Tisdall

A big increase in applicants for franchises for take-away food outlets, drain clearing, car repair, painting shops and other services has been reported by the newly-formed British Franchise Association yesterday.

According to Mr John Gooderham, vice-chairman of the association's executive committee and director of franchising for Dyno-Rod, growing numbers of people are seeking to use their redundancy payments together with gains from higher property values to set up in business on their own.

The association, which formally launched itself last week, aims to protect new-

comers from losing their savings in unscrupulous or ill-run operations.

By policing members and keeping a standard code of trading ethics it also hopes to prevent the Government from enacting "ill-conceived and hasty" legislation against franchisors.

Members fear that antagonism arising from the adopting of the term franchising by traders driven out by legislation against pyramid selling and similar techniques has rubbed off on legitimate traders.

Sight of the biggest franchise companies who, with a combined turnover of over £105m and 1,300 outlets claim to repre-

sent 60 to 65 per cent of the franchise industry, founded the association in a bid to clear its reputation.

The founder members: Budget, Rent-A-Car (UK), Dyno-Rod, Holiday Inns (UK), Kentucky Fried Chicken (GB), the Prontaprint chain of 50 printing and copying shops, the Service-Master cleaning and restoration service, Wimpey International and the Ziebold rust-proofing specialists are mostly American in origin.

Four more franchise companies, Trod Hodges Forte, Prosopius, Dayville and Hovetune have applied and been vetted by the association and are due to join in January, and

the officers believe that a further 23 operations would be eligible for membership.

In the United States, franchise traders account for almost £240,000m (about £133,500m) worth of sales and represent around 30 per cent of all restaurant receipts.

Estimates, based on United States government statistics are that franchising has shown a growth rate of 31 per cent over the past two years.

In Britain, according to Mr David Acheson, managing director of Kentucky Fried Chicken (GB), franchising is in an embryonic stage, but this is still the second largest market for the franchisors.

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

ISSUE OF

£12,500,000 The Royal Borough of Kensington and Chelsea
Variable Rate Redeemable Stock, 1982

Authorized by the Council of The Royal Borough of Kensington and Chelsea and issued in accordance with the provisions of the Local Government Act 1972, the Local Authority (Stocks and Bonds) Regulations 1974 and the Loans Fund (The Royal Borough of Kensington and Chelsea) Scheme 1974.

PRICE OF ISSUE £100 PER CENT.

Payable in full on application

Interest (less income tax) will be payable half-yearly on 6th June and 9th December. A first payment of £4,320 (less income tax) per £100 Stock will be made on 9th June, 1978.

The Stock is not an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961.

National Westminster Bank Limited, New Issues Department, P.O. Box 79, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2BD, is authorized by the Council of The Royal Borough of Kensington and Chelsea to receive applications for the above amount of Stock.

1. SECURITY.—The Stock and the interest thereon will be secured on all the revenues of the Council and will rank pari passu with the existing future debt of the Council.

2. PROVISION FOR REPAYMENT OF LOANS.—The Council is required by Acts of Parliament and by the Loans Fund (The Royal Borough of Kensington and Chelsea) Scheme 1974 to make appropriate provision towards redemption of loans raised for capital expenditure and to make such provision in connection therewith as may be required by the Secretary of State for the Environment.

3. PURPOSES OF ISSUE.—The net proceeds of the present issue of Stock will be applied to replace moneys temporarily borrowed, to finance authorised capital expenditure, to replace maturing debt and to finance further capital expenditure.

4. REDEMPTION OF STOCK.—The Stock will be redeemed at par on 9th December, 1982 unless previously cancelled by purchase in the open market or by agreement with the holders.

5. REGISTRATION.—The Stock will be registered and transferable free of charge in multiples of one pound, by instrument in writing in accordance with the Stock Transfer Act 1982. The register of the Stock will be kept at National Westminster Bank Limited, New Issues Department, P.O. Box 79, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2BD. In respect of transfers lodged by hand before noon, Stock Certificates in the name of the transferee will be available for collection by 2 p.m. on the same day. Certificates in respect of transfers lodged by post will be sent by ordinary post to the risk of the transferee. The Bank reserves the right to refuse to register transfers unless instructions to the contrary are given in writing.

6. INTEREST.—Interest (less income tax) will be payable half-yearly on 6th June and 9th December by warrant (available for Town Clearing) or by cheque drawn on a Town Clearing branch of a Bank in the City of London, which will be made on 9th June, 1978, and on 9th December, 1978, and on 9th June, 1979, and on 9th December, 1979, and on 9th June, 1980, and on 9th December, 1980, and on 9th June, 1981, and on 9th December, 1981, and on 9th June, 1982, and on 9th December, 1982, and on 9th June, 1983, and on 9th December, 1983, and on 9th June, 1984, and on 9th December, 1984, and on 9th June, 1985, and on 9th December, 1985, and on 9th June, 1986, and on 9th December, 1986, and on 9th June, 1987, and on 9th December, 1987, and on 9th June, 1988, and on 9th December, 1988, and on 9th June, 1989, and on 9th December, 1989, and on 9th June, 1990, and on 9th December, 1990, and on 9th June, 1991, and on 9th December, 1991, and on 9th June, 1992, and on 9th December, 1992, and on 9th June, 1993, 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FINANCIAL NEWS AND MARKET REPORTS

Tesco now sets sights on EEC takeovers

By Ashley Ducker

Increasingly higher turnover appears now to be crucial for supermarket groups since Green Shield stamps and a regime of price cuts. The consequence, with its High Street competitors, is that profit margins have been more than squeezed, underlined by Tesco's own decision to close more than 200 of its smaller stores. The future, as Mr Leslie Porter, chairman, recently explained, is for stores of 20,000 sq ft upwards. Less than a tenth of its 700 outlets were 20,000 sq ft.

Its latest move in actively seeking to take over one or more established stores, chains in EEC countries, though none appears imminent, does not, however, seem designed to boost turnover. The main interest for Tesco, in seeking a takeover in Europe, is to and further expand its group's international network of buying offices and bulk buying agreements.

The company is discussing a takeover with two store groups, one French and one German. Each operates only in its own country at present.

Talks with a number of other groups had come to nothing, he added. But in each case the talks were broken off by the other side, possibly because of conflicting financial positions against their own currencies.

Whitecroft setback but rally on way

A first-half setback at Whitecroft, the textiles engineering and property group, has ruled out a repetition of last year's record pre-tax profit of £5m. Turnover of this Manchester-based group went up from £23.8m to £26.8m, over the six months to September 30, but profits dropped nearly 18 per cent to £1.7m. This prompted a 10p fall in the shares to 176p.

Mr John Tavaré, the chairman, says that the second half should produce better results but the group will not match its performance for 1976-77. The board continues its policy of investment in areas which promise growth, and "major contributions" are expected from this source next year.

Meanwhile, on attributable profits of £1.6m against £2.5m, the gross dividend is halved from £3.58p to 6.6p. Earnings a share are 16.1p against 20.1p. Commenting on the setback, Mr Tavaré says that operating conditions for some textile companies which service consumer products and some industrial applications have been severe. Moreover, the building and construction companies are finding

it difficult to obtain enough work at acceptable margins, and their profits have fallen.

In spite of this, the group's builders and plumbers' merchants continue to do well, and the engineering manufacturing companies are increasing their order books and profits.

This is in line with the group's expectations at the end of last year. The order book of the engineering division had grown and higher profits were expected. However, Mr Ernest Gould, who retired from the chair at the annual meeting in July, said that the return on capital employed in this sector was still unsatisfactory but an improvement was looked for in the year ahead.

The textile subsidiaries had managed a 99 per cent increase in profits over the year thanks to its greater involvement in the specialist sector. It was placing particular emphasis on exports, and these markets were becoming increasingly important to the group.

The board was budgeting for more than £2m of capital expenditure on development and expansion of companies already in the group.

WGI well on the road to recovery

The recovery in the second half last year at WGI, the civil engineering and process engineer and maker of refractory materials, looks as though it has been carried on into the current first half. Pre-tax profits for the six months to September 30 kept from

£261,000 to £497,000. The civil engineering side which caused most of the problems last year has made a £430,000 turnaround into a profit of £130,000. So with all the rest of the group's divisions now performing well it is expected that at least it will equal the record £1.2m

Key issue for Dawson is strength of textile cycle

By Bryan Appleyard

Dawson International, the quality textile group, increased its pre-tax profits by 43 per cent on sales up by 35 per cent in the six months to September 30.

Sales rose from £29.8m to £40.2m and pre-tax profits from £3.9m to £10.4m.

The board says order books are now full and second half profits should exceed the first, though the directors would not commit themselves on whether they would beat the £5.4m achieved in last year's second half.

This current year is the third of the present upswing in the textile cycle so the key issue now is whether Dawson's profits will slip back as they did in 1975 and 1976.

The board believes the cycle has been fundamentally changed by the intrusion of new players, the growth of the market and, in any case, the previous two troughs were deepened by external economic circumstances and the company's attempts at diversification.

Additionally the group has been strengthening its financial position with the aid of £2.2m (£1.2m) from the disposal of its 50 per cent stake in Amicale Industries.

On trading, it says demand for all products has been at a high level throughout the first six months of the current year. In the case of Cashmere demand exceeds supply in spite of continually rising raw material prices.

Despite the rise in the pound the company is still finding its suppliers, especially China, are demanding "hard" currencies like the Swiss franc and the German mark. However, the company's normal procedure of generating sufficient foreign currency to pay for its materials is continuing to work successfully, though there will be no exchange profits at the year-end as there were last time.

The interim dividend at 2.66p gross incorporates all the allowable increase over last year, and the company has made it clear that it regards its current level of cover at around 8 as being too high.

Bamfords nearly tops £1m

The upward march of profits continued at Bamfords, the agricultural machinery, fencing materials and grey iron castings group, in which Frederick H. Burgess group now has a 57 per cent stake. Having managed a "reasonable" increase in its interim results, the group did not expect the second half's sales to match up.

This proved to be the case with sales of £7.69m being "bought" in comparison with £5.4m in the first six months. The total for the year to September 30 went up from £12.3m to £13.1m and pre-tax profits nearly broke the £1m barrier at 1975-76 peak of £765,000.

The profit for last year doubled to £1.2m, a 266 per cent increase. The current financial year has three months to run but the outlook should not be very different.

Rustenburg warning on platinum prices

Despite the recent increase in the platinum price from \$162 to \$175 an ounce, Rustenburg Platinum Holdings needs "a much higher" platinum price and better prices for its other metals to increase profits over the last year's 266 per cent increase. The current financial year has three months to run but the outlook should not be very different.

Pearson Longman bid plans blocked

Plans by Lord Cowdry's publishing and printing empire S. Pearson & Son to expand in the United States have been scuppered by the family interests of Lord Thomson. Subsidiary Pearson Longman's \$25 a share market bid for California-based Wadsworth Publishing has been topped by Thomson Equitable Corporation of Toronto which has picked up a 32 per cent stake in Wadsworth at \$31.50.

The group, which owns a controlling interest in the Thomson Organisation, is understood to be planning a bid for the balance.

Davenports Brewery recoups downturn

Davenports Brewery (Holdings), the Birmingham-based group headed by Mr Neville Frost, has recouped the slight interim downturn. After a 5.7 per cent fall at the halfway mark, pre-tax profits for the 12 months to end-September last climbed by 4 per cent to a peak of £1.45m.

A final dividend of 2.98p hoists the total to the maximum permitted 4.152 gross per share.

UNICORN INDUSTRIES

Group discussing possibility of taking 50 per cent stake in Crelis Group, part of Swedish Atlas Copco. Unicorn, the largest UK private company in the world, may also secure option for remaining 50 per cent.

Stock markets

Gilts hold on to early gains

Not even the smallest monthly gains in the wholesale price index for 41 years could put any steam into a lethargic market.

At the outset most prices moved ahead a penny or so on small buying but thereafter they shaded to just below their starting levels as investors continued to play a waiting game.

With so little action, bargains were left with plenty of time to discuss the prospects for a rally by the end of the year. Most now feel that the prospects for this are fading fast mainly because of the lack of progress in securing a measure of agreement on pay with the powerful trade union groups.

Among the casualties of the recent shakeout was Godfrey Davis. In mid-November it reported that it had made more in the six months to September 30 than in the whole year before. Since then the shares have fallen from 83p to 70p. At profits this year it lost its place as the lowest of the group at least £3.2m. If so the price earnings ratio would drop to around five or even smaller.

In the shorter-run the miners' response to the Coal Board, due to be decided on Thursday, could provoke fresh action but probably not in the direction dealers would like.

The strength of sterling and the wholesale price news helped gilts-edge stocks to hold on to early gains which at the long end of the market amounted to three-eighths of a point. Shorter dates were one-eighth better or unchanged by the close.

The FT 100 closed 4.0 down at 486.3, having been 1.5 up at 11 am.

Stores shares performed well above the market average with the notable exception of Burton 'A' which dipped 3p to 78p on talk of a loss when the group are announced later this week. Dealers will be more interested to see what sort of forecast is made. Elsewhere on the pitch Marks & Spencer added 3p to 151p while there were tuppenny rises at Boots at 215p and UDS at 92p.

In engineering unfavourable comment lowered GKN 6p to 57p and Vickers 6p to 181p. Machine tool manufacturer B Elliott was lowered 8p to 99p after disappointing profits but two others in the sector fared rather better after statements, these being Matthew Hall, mentioned here and up 7p to 180p

and WGI where the gain was of 2p to 85p.

Comment also gave a boost to Martonair, up 5p to 160p, and speculative interest was directed into Associated Fisheries, better by 3p to 56p. J Bibby 10p to 200p and Glenlivet where the rise was 10p to 480p in the hope of better terms after the Seagram rejection.

After its annual report Mainhead rose 7p to 175p in electrical where GEC edged ahead a penny to 245p in front of figures. Tesco's stated intention of expanding in Europe made little impression on the shares at 43p but Associated Dairies was hit by selling and closed 8p down to 248p.

Sangers continued to react to last week's gloomy figures, shedding another 9p to 82p

while Redfearn rose 7p to 285p in front of figures due today. Equity turnover on December 2 was £62.30m (12,448 bargains).

Up 11p on small buying last week publisher Ben Brinners met with further support to close another 5p ahead at 70p. No names are mentioned as potential suitors, but one theory is that the group could soon go the way of Morgan-Grampian, sold last month to Trafalgar House.

Active stocks yesterday, according to Exchange Telegraph, were ICI, BP, National Westminster, BAT, Ind and Dtd, Boots, Dunlop, GEC, Gas 'A', Reed International, Royal Midland, Manganese Bronze, B Elliott, Sangers and Lof.

Latest results

Latest results

Company	Sales	Profits	Earnings	Div	Pay	Year's
£m	£m	per share	pence	date	total	
Int or Ltd						
Alkins Bros (1)	4.6(2.5)	0.26(0.13)	1.2(0.8)	—	—	(3.2)
Bamford (1)	16(12.3)	0.55(0.38)	0.85(0.58)	6/2	—	1.7(1.0)
American Sec (1)	—	—	35(25)	—	—	—
Carroll Eng (1)	4.1(3.6)	0.42(0.38)	5.0(4.3)	1.5(1.3)	31/1	(2.6)
Carrington (1)	4.9(3.7)	0.34(0.24)	0.71(0.50)	—	—	(0.19)
Davey Davis (1)	1.4(1.3)	0.1(0.1)	1.8(1.7)	—	—	2.7(2.4)
Dawson Int (1)	40.2(29.7)	5.6(3.9)	7.0(7.44)	2.5(2.0)	3/2	(3.3)
E. Elliott (1)	31.5(27.5)	2.0(1.9)	—	2.5(2.0)	21/2	1.0(1.0)
Godfrey Davis (1)	1.5(1.2)	0.05(0.04)	—	—	—	—
Globe Inv (1)	—	—	—	—	—	—
Matthew Hall (1)	—	—	—	—	—	—
Lof (1)	—	—	—	—	—	—
Macdonald (1)	3.4(2.8)	0.2(0.1)	—	—	—	—
Mitchell (1)	9.6(6.2)	1.2(0.8)	—	—	—	—
W. E. Norton (1)	4.6(3.3)	0.28(0.16)	—	—	—	—
Notch Brick (1)	1.7(1.5)	0.50(0.42)	56.84(37.50)	7.7(7.7)	22/2	11.55(7.27)
Sam Osborn (1)	2.9(2.9)	0.4(0.4)	—	—	—	—
Alfred Preedy (1)	25.1(21.0)	0.29(0.20)	—	—	—	—
Samuelson F (1)	6.6(4.7)	0.63(0.33)	23.07(13.62)	4.4(7.3)	3/1	7.4(7.3)
Vintner Group (1)	1.8(1.6)	0.35(0.23)	—	—	—	—
Soyuzmash (1)	—	—	—	—	—	—
T. Warrington (1)	—	—	—	—	—	—
WGI (1)	12.9(9.8)	0.09(0.07)	—	—	—	—
Whitecroft (1)	26.8(23.8)	0.49(0.26)	1.7(2.1)	16.1(20.1)	24/1	7.8(5.2)

Dividends in this table are shown net of tax on per cent share. Elsewhere in Business News dividends are shown gross and after the net dividend by 1.55. Profits are shown pre-tax and earnings are net. A Loss. B Forecast. C Adjusted for amendment of stock valuation.

LOF's shares slump on news of £1.2m pre-tax loss

By Tony May

Stripped of its Austin & Pickersgill shipyard by nationalisation, London & Overseas Freighters has turned in a loss of £1.2m for the six months to September 30 against a pre-tax profit of £2.3m. The news sent the shares down 51p to 36p.

Mr Basil Mavrolean, the chairman of what is now a ship-

owner with a stake in block 16/13 in the North Sea and IDS fuelers, says that nothing is included in the results in the way of interest on government compensation for Austin & Pickersgill. Just how much government stock the group will end with cannot be guessed at, and talks will not be starting with the Government until early in the new year.

Mr Mavrolean has already made it clear that the amount of compensation, which will in any case not be in cash, "will almost certainly be insufficient to yield a return comparable with that expected from A & P during the next few years."

Details of the group's half-year turnaround show that a trading loss of £574,000 grew

into one of £1.9m and sales of ships brought in only £1.28m against £2.96m. Austin & Pickersgill's dividend amounted to £329,000 against £782,000, and losses on the repayment of foreign currency loans took £489,000 against £348,000.

For the full year to March 31, the board thinks it is unlikely that any corporation tax liability will arise.

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

ISSUE OF
£7,500,000 The Royal Borough of Kensington and Chelsea
11½ per cent. Redeemable Stock, 1985-87
PRICE OF ISSUE £98½ PER CENT.

On Application	Payable as follows—	£10 per cent.
On 6th February, 1978	£40 per cent.	
On 10th March, 1978	£48½ per cent.	
	£98½ per cent.	

A first interest payment of £250,000 (less income tax) per £100 Stock will be made on 30th April, 1978.

Authorised by the Council of The Royal Borough of Kensington and Chelsea in accordance with the provisions of the Local Government Finance Act 1963, the Local Authority (Stocks and Bonds) Regulations 1974 and the Loans Fund (The Royal Borough of Kensington and Chelsea) Scheme 1974.

The Stock is an investment falling within Part II of the First Schedule to the Trustee Investments Act, 1961.

1. SECURITY.—The Stock and the interest thereon will be secured on all the revenues of the Council and will rank pari passu with the existing and future debt of the Council.

2. PROVISION FOR REPAYMENT OF LOANS.—The Council is required by Acts of Parliament and by the Loans Fund (The Royal Borough of Kensington and Chelsea) Scheme 1974 to make appropriate provision towards redemption of loans raised for capital expenditure and to make such provision in connection therewith as may be required by the Secretary of State for the Environment.

3. PURPOSES OF ISSUE.—The net proceeds of the present issue of Stock will be applied to replace matured debt and to finance further capital expenditure.

4. REDEMPTION OF STOCK.—The Stock will be redeemed at par on 31st October, 1987 unless previously redeemed by purchase or by agreement with the Council. Further, the Council has the option to redeem the Stock at par, in whole or in part, on or at any time after 31st October, 1985 on giving not less than three calendar months' notice to the Stockholders in writing or to the public advertisement.

5. REGISTRATION.—The Stock when fully paid will be registered and transferable free of charge in amounts and multiples of one penny by instrument in writing in accordance with the Stock Transfer Act 1963 at National Westminster Bank Limited, Registrars' Department, P.O. Box 82, National Westminster Court, 37 Broad Street, Birmingham B2 4BN.

6. INTEREST.—Interest (less income tax) will be paid half-yearly on 30th April and 31st October by warrant, which will be sent by post at the Stockholder's risk. In the case of the interest account, the warrant will be sent by post at the Stockholder's risk. In the case of the interest account, the warrant will be sent by post at the Stockholder's risk.

7. APPLICATION AND GENERAL ARRANGEMENTS.—Applications, which must be on the prescribed form and must be accompanied by a deposit of £10 per cent. of the nominal amount applied for, will be received at National Westminster Bank Limited, New Issues Department, P.O. Box 79, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2BD.

Applications must be for a minimum of £100 Stock or in multiples of £100 for applications up to £1,000 Stock.

Larger applications must be made in accordance with the following scale—

Applications above £1,000 Stock and not exceeding £5,000 Stock in multiples of £500.

Applications above £5,000 Stock and not exceeding £20,000 Stock in multiples of £1,000.

Applications above £20,000 Stock in multiples of £5,000.

Applications above £25,000 Stock and not exceeding £50,000 Stock in multiples of £5,000.

Applications above £50,000 Stock and not exceeding £100,000 Stock in multiples of £10,000.

Applications above £100,000 Stock and not exceeding £250,000 Stock in multiples of £25,000.

Applications above £250,000 Stock and not exceeding £500,000 Stock in multiples of £50,000.

Applications above £500,000 Stock and not exceeding £1,000,000 Stock in multiples of £100,000.

Applications above £1,000,000 Stock and not exceeding £2,500,000 Stock in multiples of £250,000.

Applications above £2,500,000 Stock and not exceeding £5,000,000 Stock in multiples of £500,000.

Applications above £5,000,000 Stock and not exceeding £10,000,000 Stock in multiples of £1,000,000.

Applications above £10,000,000 Stock and not exceeding £25,000,000 Stock in multiples of £2,500,000.

Applications above £25,000,000 Stock and not exceeding £50,000,000 Stock in multiples of £5,000,000.

Applications above £50,000,000 Stock and not exceeding £100,000,000 Stock in multiples of £10,000,000.

Applications above £100,000,000 Stock and not exceeding £250,000,000 Stock in multiples of £25,000,000.

Applications above £250,000,000 Stock and not exceeding £500,000,000 Stock in multiples of £50,000,000.

Applications above £500,000,000 Stock and not exceeding £1,000,000,000 Stock in multiples of £100,000,000.

Applications above £1,000,000,000 Stock and not exceeding £2,500,000,000 Stock in multiples of £250,000,000.

Applications above £2,500,000,000 Stock and not exceeding £5,000,000,000 Stock in multiples of £500,000,000.

Applications above £5,000,000,000 Stock and not exceeding £10,000,000,000 Stock in multiples of £1,000,000,000.

Applications above £10,000,000,000 Stock and not exceeding £25,000,000,000 Stock in multiples of £2,500,000,000.

Applications above £25,000,000,000 Stock and not exceeding £50,000,000,000 Stock in multiples of £5,000,000,000.

Applications above £50,000,000,000 Stock and not exceeding £100,000,000,000 Stock in multiples of £10,000,000,000.

Applications above £100,000,000,000 Stock and not exceeding £250,000,000,000 Stock in multiples of £25,000,000,000.

Applications above £250,000,000,000 Stock and not exceeding £500,000,000,000 Stock in multiples of £50,000,000,000.

Applications above £500,000,000,000 Stock and not exceeding £1,000,000,000,000 Stock in multiples of £100,000,000,000.

Applications above £1,000,000,000,000 Stock and not exceeding £2,500,000,000,000 Stock in multiples of £250,000,000,000.

Applications above £2,500,000,000,000 Stock and not exceeding £5,000,000,000,000 Stock in multiples of £500,000,000,000.

Applications above £5,000,000,000,000 Stock and not exceeding £10,000,000,000,000 Stock in multiples of £1,000,000,000,000.

Applications above £10,000,000,000,000 Stock and not exceeding £25,000,000,000,000 Stock in multiples of £2,500,000,000,000.

Applications above £25,000,000,000,000 Stock and not exceeding £50,000,000,000,000 Stock in multiples of £5,000,000,000,000.

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Applications above £100,000,000,000,000 Stock and not exceeding £250,000,000,000,000 Stock in multiples of £25,000,000,000,000.

Applications above £250,000,000,000,000 Stock and not exceeding £500,000,000,000,000 Stock in multiples of £50,000,000,000,000.

Applications above £500,000,000,000,000 Stock and not exceeding £1,000,000,000,000,000 Stock in multiples of £100,000,000,000,000.

Applications above £1,000,000,000,000,000 Stock and not exceeding £2,500,000,000,000,000 Stock in multiples of £250,000,000,000,000.

Applications above £2,500,000,000,000,000 Stock and not exceeding £5,000,000,000,000,000 Stock in multiples of £500,000,000,000,000.

Applications above £5,000,000,000,000,000 Stock and not exceeding £10,000,000,0

FINANCIAL NEWS

Matthew Hall doubts on final quarter

By Richard Allen

Matthew Hall, the mechanical services and process plant group, has pushed pre-tax profits up by 48 per cent to £4.35m in the nine months to September 30.

So the prediction from Sir Rupert Speir, chairman, that full-year profits will "achieve the £6m mark" is either a sign that the group is having a poor final quarter or simply a reflection of the group's caution.

Judging by past performance, the latter is almost certainly the case. Last year Matthew Hall made a total of £4.62m after predicting at least £4m.

Thus the group need only repeat last year's fourth quarter performance to beat £6m and a figure in excess of £6.5m now seems a more likely outcome.

The nine-month tally has been achieved on the back of almost doubled trading profits of £1.48m from the oil, chemical and industrial engineering division.

Mechanical and electrical services increased trading profits 15 per cent to £1.9m, reflecting a relatively flat performance. Sir Rupert, however, points out this is a more remarkable achievement since the building and construction industries generally have been suffering a severe recession.

The pre-tax total has also been swollen by over £1m compared with £540,000 investment earnings on the group's cash board, which could now be in excess of £10m.

The group justifies retention of these balances partly on the need for bonding on overseas operations and denies any take-over aspirations even though lower interest rates should now be trimming returns.

Meanwhile, the group reports that the total order book has increased to around £200m compared with £160m. The interim dividend payment goes up from 2.43p to 2.67p gross. Last year's total amounted to 9.76p gross.

Mitchell Somers 42pc ahead

By Michael Clark

Engineer and forgemaster Mitchell Somers, in which Johnson & Firth Brown has at present a stake of 24.7 per cent, reports a rise in pre-tax profits for the first half to October 1 of 42.8 per cent to £1.2m.

Turnover of the West Midlands-based group, which earlier this year took control of Wolverhampton Die Casting, has increased from £6.2m to £9.6m. In spite of this margin slipped by 1 per cent to 13 per cent.

Nevertheless, Mr L. J. Thomas, chairman, in his statement accompanying the results, says that the board is pleased at the outcome in what has proved to have been a difficult trading period. But his board is confident that the group will be able to cope with the present cloudy industrial scene. Meanwhile it pays an interim dividend of 2.37p gross compared with 0.83p and intends to pay a final dividend of not less than 2.37p gross in September, 1978.

Dull trading overseas trims B Elliott midterm outcome

By Alison Mitchell

Difficult trading conditions overseas put the brake on interim profits at machine tool manufacturer and distributor B. Elliott.

In the six months to September 30 the group made a pre-tax profit of £2m against a previous £1.96m on turnover which showed a 14 per cent rise to £31.4m.

However, stripping out the £258,000 post-acquisition profit from the Newell Group, taken over with effect from July 4, group profits slipped £200,000 against the previous comparable period.

And it was the overseas side which did the damage. According to Mr Mark Russell, chairman, there was a sharp downturn in the sales and profits in South Africa, Canada, which slipped into the red, and Australia. In total the overseas companies, after currency adjustment, contributed £145,000 to profits. This compares with £719,000 in the first six months



Mr. Mark Russell, chairman.

of last year and £143,000 in the second half.

The group is currently widening its North American markets to take in the United States but the chairman warns

that there is unlikely to be any real improvement from this side in the current year.

In a more buoyant home market the United Kingdom division increased their profit contribution by a third to £1.6m. The improvement here was across-the-board and the chairman reports that a general upturn in investment has shown through to Elliott's order books.

About 30 per cent of manufactured goods are now exported and the longer-term potential for further overseas business is high. Several large contracts have recently been won by the group.

Although making no forecasts for the year end, Mr Russell reports that the signs are encouraging in the United Kingdom. All divisions have shown a substantial increase in orders during the past two months and second half figures will also include a full contribution from Newell. Elliott has embarked on a heavy expansion programme.

Mannesmann foresees drop in 1977 returns

International

Mannesmann AG, West German steel pipe and engineering concern says that this year will certainly be lower than 1976. DM302m (about £72m) net profit in the world group as sales stagnated at the 1976 level of DM11,800m.

The group also said that the cash dividend would be lowered from DM7 per DM50 nominal share in 1976 due to the corporate tax reform effective this year. No figure was given for the 1977 dividend.

World sales in the first nine months, it said, totalled DM7,400m down 9 per cent from DM8,200m in the comparable period last year. Only booking of large industrial plant orders would enable sales this year to attain last year's level.

Capital spending in the first nine months was DM433m. Mannesmann said spending for the year would fall short of 1976's record DM826m. The sales decline was due in large part to lower sales in foreign subsidiaries. The group said—AP-Dow Jones.

wholly-owned subsidiary of the Ciba-Geigy Corp. Glaxo makes a variety of home cleaning products.

Morocco gets loan

Morocco has obtained a \$325m (about £182.2m) seven-year bank loan from a syndicate led by Citicorp International Bank under loan agreements signed in London. Citicorp said the loan would bear interest that varies at 1.125 points above London Interbank offered rates (LIBOR) for Eurodollar deposits for the first three years and 1.25 points above LIBOR for the remaining four years. Fees were not disclosed. Repayment in instalments begins after three years of grace. The loan is to finance certain industrial projects under Morocco's fourth development plan.

Agfa purchase

Agfa-Gevaert of America has completed its purchase of the Low & Wolf X-ray divisions of IPCO Hospital Supply Corporation, Dr Albert Eken, managing director of Agfa-Gevaert, said. Mr John Williams, president of IPCO announced. Agfa-Gevaert has acquired the assets of the two IPCO X-ray divisions, including Low's contract as exclusive United States distributor of Agfa-Gevaert X-ray film and other products for about \$35.2m (about £19.5m). The purchase price is payable within 12 months and is subject to possible adjustment, but any such adjustment is not expected to be material.

CAIL keeps ahead

The improved profitability of Coal & Allied of Australia (CAIL) continued into the current half-year and is markedly above the depressed first half of last year, the chairman, Mr William Howard-Smith said. Consolidated net operating profit was \$45.55m (about £3.4m) for the year ended June 30. This was against \$4.5m in the similar period a year ago. Mr Howard-Smith said the group would make a further submission to the New South Wales Government on the 600 million tonnes Newmarket coal deposits near Newcastle in the coming week.

Strike hits Pullman

Mr Samuel Casey Jr, president of the Pullman Company of America, manufacturers of transport equipment, says that the company's 1977 fourth quarter earnings could be lower than year-ago levels if a strike at five of its Pullman standard plants continues. Mr Casey said the company was losing \$2m (about £1m) a month as a result of a strike which began in October by the United Steelworkers of America.

Heinz optimistic

H. J. Heinz Company, the Pittsburgh-based food manufacturer, says that it is optimistic that it will have higher earnings and sales for the year. Heinz said that the results of cost-reduction programmes aided operating margins. Last year, Heinz earned \$83.8m (about £46.5m) and had sales of \$1,800m.

The group said that its marketing expenditures more than doubled in the first-half as the expansion of new products into wider market areas was accelerated. For the first-half ended October 26, Heinz reported earnings of \$43.3m on sales of \$1,000m.

Roussel-Uclaf

Roussel-Uclaf, the French pharmaceutical group, controlled by Hoechst AG of West Germany, says that it intends to lift its capital to \$34.2m (about £37m) from the present \$15.9m.

By doubling the nominal value of its ordinary shares to 100 francs and by issuing new shares on a one-for-10 basis, the new shares will be eligible for dividend payments retroactive to January 1 this year. M. Henri Monod, director-general, said that he expects the dividend payment for the 1977 financial year to be maintained at 9.50 francs net per share paid for 1976 on the increased number of shares.

Airwick plans deal

Airwick Products, consumer products division of Airwick Industries of America, says it will purchase the principal assets of Glamorene Products Corporation, a subsidiary of Lever Brothers. The effective date is expected to be January 8. Airwick Industries is a

Vavasseur's latest capital re shaping goes through

Briefly

Proposal for the third capital reconstruction of J. H. Vavasseur were passed yesterday at an extraordinary general meeting despite opposition from certain first preference stockholders. The proposal proceeded with the one-for-one share offer for its successful advertising subsidiary, the 80.7 per cent-owned Mills & Allen International.

Under the terms of the reconstruction the clearing bank Support Group, which has been nursing Vavasseur since the secondary banking crisis of 1973, will lengthen its loans with the result that the reorganised and enlarged group will hold short-term debts of around £203,000 and long-term borrowings of £7.95m.

The reorganization means that a holding of 100 Vavasseur ordinary shares will become one of 11 new ordinary shares of 50p each, on this basis, 21.9 per cent of the enlarged equity will be available to holders of the Mills & Allen minority shareholders. A further 22.7 per cent will be controlled by Britannia Arrow Holdings (formerly Slater, Walker Securities), the Prudential Assurance will hold 6.3 per cent, other institutions will take 13 per cent while Hambros Group, whose merchant banking arm has advised Vavasseur through all three reconstructions, will control 7.8 per cent.

BUSINESS APPOINTMENTS

Group financial director for Howard Machinery

Mr Richard Overend has joined the main board of Howard Machinery as group financial director.

Mr George Probert has become managing director of Howard Machinery as group financial director.

Senior executive posts in The British Linen Bank, which was revived last week, are as follows: Mr D. Bruce Patullo, director and chief executive; Mr C. Thomas Bennie, deputy chief executive and assistant director; Dr Joan Smith, secretary.

Mr T. L. F. Royle, chairman and chief executive of Hogg Robinson, has become chairman of Hogg Robinson (UK), Hogg Robinson (Life & Pensions), The Credit Insurance Association, Control Risks and Hogg Robinson Leasing.

Mr J. P. S. Riddell has been made deputy chairman of Control Risks, chairman of Investment Insurance International (Managers) and joins the board of Hogg Robinson Leasing.

Mr T. K. Bridgman, Mr C. C. Davies and Mr E. B. Osof have been made directors of the Credit Insurance Association.

Mr M. S. Connell is to be a director of Investment Insurance International and Dr R. Clutterbuck is now on the board of Control Risks.

Mr Roger Denning has joined, as design director, the board of WTC Management Services.

Mr M. S. G. Jones has become a director of Alfa-Laval.

Dr John Bailey has been made managing director of Gullway.

Mr M. S. G. Jones becomes a director of Empire Foundations and Investments.

Mr Duncan Provan has been made managing director of the Bonnes Iron Company.

Mr Ray Burman has been made executive director of the London World Trade Centre.

Mr Ken Melville has become a director of Polygram Leisure.

Mr Wacey Lewis has joined the board of P. W. Knappman.

Mr Michael Murray, managing director of East Asset, has been elected chairman of William Lawrence.

Mr I. E. Rickards has been made a director of Dymon Industries.

Mr I. E. Rickards has been made a director of Brown & Tawse.



Rustenburg Platinum Holdings Limited

(Incorporated in the Republic of South Africa)

Chairman's Review by Sir Albert Robinson

The thirty-first annual general meeting of the company will be held in the board room, Consolidated Building, corner of Fox and Harrison Streets, Johannesburg, at 09h30, on Wednesday, 14 December 1977.

The Company's consolidated after-tax profit for the financial year 1977 amounted to R4.6m. As explained in the Directors' Report, the Board of RPM has instituted two changes in the company's accounting procedures in order to reflect trading results based on the current cost of production and to make a provision for the cost of maintaining production capacity. As a consequence the profit declared for 1977 is not comparable with the profit achieved in 1976.

In the inflationary climate which the world is experiencing at present, the current cost of production is inevitably much higher per unit produced than the average cost of both stocks and production. Previously, the cost of sales was accounted for on the basis of an average cost of opening stocks and production but because such accounting procedures, influenced as they are by lower production costs in previous years, overstate current profitability and are misleading, your Board decided to value stock by the accounting method known as LIFO.

Shareholders are aware that under normal circumstances industrial companies provide for the replacement of assets by means of a charge to the income statement. This charge provides the cash flow necessary to replace or maintain production assets. Traditionally this is not done in the South African mining industry; the cash required to maintain production capacity (on-going capital expenditure) is appropriated from profits after tax. Because of its immense reserves and immeasurably greater life when compared with the gold mines, Rustenburg may be considered to be more akin to an industrial company. It can therefore, with some justification, treat its accounts in respect of the replacement and renewal of assets in a way similar to that adopted by an industrial company. Consequently, the company's previous practice of capitalising expenditure on the maintenance of production capacity has been changed and a provision is now made for the renewal and replacement of such capital items as a charge against profits.

On the previous basis of accounting the declared profit before tax for 1977 would have been R33.3m compared with R44.1m for 1976. However, the level of declared pre-tax profits of R4.5m on the new accounting basis now reflects more realistically the profitability of operations during the year, and hence a better measure of what profit is available for appropriation for dividends and capital requirements. The decision to pass the final dividend was not influenced by the new accounting system. The additional costs which have been introduced in determining profits under the new basis of accounting would have been met by appropriation out of the higher level of profits declared on the previous accounting basis and therefore the profits available for distribution would, in any event, have been inadequate to pay a final dividend.

The passing of a final dividend was the result of the weak market conditions that prevailed and the effects of inflation on capital and working costs. The company's financial position over the last few years has been adversely affected in two ways. Firstly, the company's published price of platinum, which was \$190 per ounce in 1974, was forced down to \$155 and was adjusted subsequently to \$162 for most of the next three years. Secondly, the company has suffered high and escalating costs of replacement of shafts and development necessary to maintain the mines' continuing ability to produce. Since 1974 the cost per ounce of platinum produced has increased by some 97% and the cost of capital items has doubled.

As the price of platinum and its by-products has been unduly low, profits after tax have been seriously eroded with the result that the company's financial position has deteriorated. Surplus supplies caused market prices of platinum to remain below the company's published price of \$163 per ounce for much of the past year.

In view of the continuing excess of supply over demand and the prevailing weak prices for the platinum group metals as well as for nickel and copper, Rustenburg announced on the 1st November that it was reducing production by between 10% and 20%. Despite the reduction, we shall continue development for as long as possible. Our objective is to be able to return with a minimum of delay to the level of production that prevailed prior to the 1st November in the event of a resurgence in demand. However, unless platinum price levels increase substantially it will be impossible to increase production capacity much beyond one million ounces per annum. In short, to justify any expenditure on increased production capacity Rustenburg requires a markedly higher price. The first step towards achieving this end was taken on 28th November when Rustenburg increased its price to

\$175/oz. This followed a rise in the Free Market price of platinum of more than \$20 over the previous three months.

Further to the decision to cut back production, the Board has decided to reduce capital expenditure on the mines for the current financial year from R22.5m to R15 million.

Apart from the weakness in demand for platinum the substantial oversupply situation that is currently prevailing in the nickel market is having a serious impact on the company's sales of nickel. This metal is second to platinum in terms of revenue earned by the company and is therefore very important to the company's financial position. The Free Market price for nickel, which was \$2.20 per lb CIF in September 1976 has declined and is now about \$1.80 per lb CIF.

Another major setback to the platinum industry in South Africa occurred during the year. This industry has been able to make use of the exporters' allowance as a deduction from taxable income for 15 years. This concession has enabled the industry to claim a portion of its marketing expenses as an allowance for tax in addition to these expenses being allowed as a cost. However, as a result of the 1977 Income Tax Act the industry has been deprived of this allowance in respect of platinum and the other platinum group metals. The withdrawal of the allowance has come at a critical time for the industry and will have a considerable impact on profitability. The company has incurred considerable expenditure in seeking and promoting new markets for platinum. The metal has to be marketed both vigorously and extensively. However, without the benefit of the exporters' allowance the company's ability to market the metal effectively will be seriously impaired. Representations have been made to the Minister of Finance to consider the re-introduction of this valuable marketing and financial aid.

The company is concentrating its efforts on reducing the impact of inflation on its costs by improving productivity. In particular there are two areas of the operation that have a significant impact on its profitability. One of these is the Matthey Rustenburg Refiners (Rustenburg) plant, where RPM's matte is treated to separate the platinum group metals and to produce nickel and copper. Although this plant is operating satisfactorily, the costs incurred are high. Steps are now being taken to modify part of the plant in an effort to reduce costs in the short to medium term. For the longer term we are investigating the desirability of introducing a completely new process. The other factor that contributes to the high costs of the company's operation is the depth at which we are currently mining. At both the Rustenburg and Union sections we are mining at much greater depths than other South African producers. At the Amandelbult section, however, we are operating relatively close to surface and it will be some years before a second generation of vertical shafts has to be established. Thus as the importance of Amandelbult to the company's operations increases, the lower costs of operating this section should have an important impact on the company's profitability. As time progresses the centre of the company's operations could well move from Rustenburg and Union Sections to the shallower areas at Amandelbult.

Automobile Industry

Despite an increase in U.S. automobile production in the 1977 financial year, the company's sales of platinum and palladium for use by this industry were lower than the volume achieved in 1976. Excess quantities of both metals were accumulated in 1976 and these were subsequently drawn upon in 1977 thereby reducing the quantities purchased in that year. Present indications suggest that the company's sales in the current financial year will be higher than for 1977.

A substantial part of Rustenburg's sales of platinum for use by the automobile industry is effected at a price that was established in 1972. While an escalation in price is provided for, this has proved to be totally inadequate in the light of the rapid escalation in working costs that has occurred subsequently. In fact these sales of platinum are now incurring losses and negotiations are under way to redress this situation.

Although an amendment to the U.S. Clean Air Act was passed by the U.S. Congress in August 1977 extending the model year 1977 automobile emission standards to model year 1979, the amendment does require a tightening of standards in model year 1980 and a further tightening in model year 1981.

We expect that the emission levels for 1980 and 1981 will require increasing quantities of the three-way conversion catalyst, which reduces the emissions of the three main pollutants, namely carbon monoxide, hydrocarbons and oxides of nitrogen. This is expected to reflect increasing requirements for platinum. However, there is a strong possibility that the recovery of platinum from catalysts on scrapped automobiles could start in the early 1980's. Depending on the economics of the recovery process this quantity of recycled metal may reach a significant level by 1985 and have the effect of reducing demand for newly mined platinum.

Jewellery Promotion

The company's jewellery advertising and promotion campaigns continued during the past financial year. Although we do not expect to reap the benefit from these campaigns in the short term, we believe that in the longer-term interest of the platinum industry we must continue with these activities. Much more time, effort and money will have to be expended, but we are confident that the company's efforts will stimulate a meaningful level of demand in due course.

The current annual expenditure on this programme is approximately R3 million. The results that have emerged to date have been encouraging in that a growing awareness of platinum jewellery has been stimulated. In all the markets where we are active, there is increasing co-operation and enthusiasm from the trade and interest on the part of the consumer. Research into the technical aspects of working in platinum is being extended and training for manufacturers is being sponsored. Design is receiving special attention. Joint promotions - in which manufacturers or retailers contribute to costs - are becoming more common and platinum is now featuring in prestigious national and international jewellery exhibitions.

There are indications of a modest increase in the usage of the metal for jewellery in new markets. It is essential that these initial successes be followed up and that the momentum now established be developed further.

Outlook

It is unlikely that there will be any significant increase in platinum demand during the rest of this current financial year. Although there has been a recovery in the platinum price in the last few months, any favourable effect on the level of this year's profits above that of last year must depend on a much higher platinum price and better prices for the company's other metals, particularly nickel.

On the 6th December the Bophuthatswana Homelands becomes an independent state. Approximately 25% of Rustenburg's production currently comes from within the borders of this state. The company has had discussions with the Bophuthatswana authorities in relation to the change in political status of the territory. I am pleased to say that the discussions took place in an atmosphere of goodwill and that the Bophuthatswana Government, which has consistently declared itself in favour of the principle of free enterprise, is co-operating fully to ensure that the transition to the new status will not seriously affect the company's operations. Rustenburg will have a unique position in that it will be operating in both South Africa and Bophuthatswana but we are confident that it will be the objective of both Governments to assist the company in maintaining a viable entity. It is certainly in their interests that this should be the case.

Conclusion

In summary, the company's liquidity has deteriorated due to the main to low platinum and nickel prices. Rustenburg's decision to reduce production will strengthen its financial position and will assist in bringing world supply and demand more into balance. This could help in providing a basis for a stronger price in the future.

While the rate of production has been reduced, development will continue so that the company will be well placed to re-establish its previous rate of production when demand improves.

In the meantime two areas of high cost have been identified - in the treatment and refining of base metals and also mining at deep levels. The company is confident that given time it can make changes which will ameliorate these high costs.

The changes in the basis of accounting will assist shareholders to have a better appreciation of the company's actual trading position and this will increase the emphasis on efforts to strengthen its financial position.

I have every confidence in the platinum industry in the longer term. We have experienced adverse trading conditions before and then we have enjoyed a return to prosperity. This will happen again as the world moves out of its current recession. When this happens shareholders will be rewarded for their patience and the company will once again attract the renewed interest of the investing public.

General

I am grateful to Johnson Matthey & Co. Limited, who continued to carry out their role as our sole marketing agents in a most efficient manner. I also wish to record our appreciation to our customers for their valuable support during a difficult period.

To the Mine Managers, Consulting Engineers, Secretaries as well as all the staff and employees at the Mines and at Head Office, my grateful thanks for the services they have rendered during the past year.

Johannesburg
5th December, 1977

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